

BIOME GROW INC.

("Biome" or the "Company")
Three and Six Months Ended June 30, 2021 and 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. DATE OF REPORT: August 26, 2021

The following management's discussion and analysis ("MD&A") has been prepared as of August 26, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2021 and 2020 and accompanying notes for the three and six months ended June 30, 2021, 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 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's principal business activity is pursuing opportunities in the cannabis industry. On May 19, 2017, the Company acquired a 100% interest in Highland Grow Inc. ("HGI"). On July 31, 2020, the Company completed the sale of HGI, receiving shares in MYM Nutraceuticals Inc. ("MYM") as a significant part of the consideration. As a result, the Company's current operations are limited to holding marketable securities in MYM, which it sells when needed to satisfy its monthly obligations as well to pare down its existing liabilities. The Company is actively reviewing opportunities in a variety of industries as part of its restructuring efforts.

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak including variants which continues to spread, and related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. During 2021 vaccines became available and certain restrictions have begun to ease. The Company and its prior operations had not been drastically impacted by the pandemic, but management continues to monitor the situation.

3. OVERALL PERFORMANCE

Continuing operations

During the six months ended June 30, 2021, the Company sold some of its marketable securities in MYM to fund operations while it reviews strategic opportunities. In addition, since January 2021, the Company has continued to make efforts to reduce operating costs and settle liabilities with cash generated from the sale of its investment in marketable securities.

Discontinued operations

During the year ended December 31, 2020, the Company capitalized on an opportunity to sell HGI to raise funds to pay down debts and invest in MYM as its largest individual shareholder. As part of the transaction, all employees and consultants of the Company, with the exception of executive officers, were transferred to MYM. Also, during the year ended December 31, 2020, the Company entered into a share buyback agreement with The Back Home Medical Cannabis Corporation ("Back Home"). All periods presented have been re-casted to reflect HGI and Back Home as discontinued operations.

Summary of quarterly results

Three months ended	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
	\$	\$	\$	\$
Net income (loss) from continuing operations	(12,548,974)	17,310,578	5,010,037	(5,175,714)
Net income (loss) from discontinued operations	-	-	(15,089)	2,267,804
Net income (loss) and comprehensive (loss) income	(12,548,974)	17,310,578	4,994,948	(2,907,910)
Basic and diluted income (loss) per share	(0.11)	0.15	(0.02)	(0.03)
Cash	183,203	368,991	98,113	147,895
Total assets	16,837,843	29,317,111	12,580,607	9,811,615
Total liabilities	5,527,031	5,473,850	6,064,268	8,306,831

Three months ended	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	\$	\$	\$	\$
Net income (loss) from continuing operations	(450,767)	(1,100,636)	(5,022,670)	(2,178,397)
Net income (loss) from discontinued operations	30,357	(805,191)	(1,566,119)	699,245
Net income (loss) and comprehensive gain (loss)	(420,410)	(1,905,827)	(6,588,789)	(1,479,152)
Basic and diluted income (loss) per share	(0.01)	(0.01)	(0.09)	(0.01)
Cash	448,864	173,819	1,564,805	121,595
Total assets	12,078,618	12,073,519	13,706,535	15,996,793
Total liabilities	7,750,586	7,075,079	6,787,266	3,697,005

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

the following:

- The Company recorded a \$12,270,941 loss on the change in fair value of its investment in MYM in the second quarter of 2021 compared to a \$16,976,298 gain in fair value in the first quarter of 2021. The Company did not sell any marketable securities during the second quarter of 2021 compared to a \$512,554 realized gain on investments sold during the first quarter of 2021.
- During the year ended December 31, 2020, the Company sold its investment in HGI, and entered into a share buyback agreement with Back Home. All periods presented have been re-casted to reflect these discontinued operations.
- In connection with the discontinued operations, the Company recorded a \$15,089 loss on disposal of Back Home in the fourth quarter of 2020 compared to a \$2,267,804 gain in the third quarter of 2020 which consisted of \$508,643 income from discontinued operations and a \$1,759,161 gain on disposal of HGI.
- On July 31, 2020, the Company received 42,813,985 MYM shares and 132,551,040 exchangeable shares of MYM as consideration for the sale of HGI. As at June 30, 2021, the Company held 122,768,413 MYM shares, of which 15,281,054 were held in escrow.
- In the third quarter of 2020, the Company entered into various debt settlements and bonus payments with former employees of Biome and HGI. These were settled with the issuance of MYM common shares and MYM convertible shares in the fourth quarter of 2020. The Company recorded a \$266,813 gain on these debt settlements.
- During the first and second quarter of 2020, the Company recorded an inventory impairment of \$405,753 and \$888,422, respectively, to write-down obsolete inventory. This inventory is considered part of discontinued operations and is included in income from discontinued operations for the period.

4. COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

	2021	2020
	\$	\$
Operating expenses	177,552	830,101
Other (expenses) income	(12,371,422)	379,331
Net loss from continuing operations	(12,548,974)	(450,770)
Net income from discontinued operations	-	30,359
Net loss and comprehensive loss	(12,548,974)	(420,411)

During the three months ended June 30, 2021, the Company incurred a \$12,548,974 net loss from continuing operations (2020 - \$450,770 net loss from continuing operations) and a \$12,548,974 net loss and comprehensive loss (2020 - \$420,411 net loss and comprehensive loss).

Highlights during the three months ended June 30, 2021, compared to the three months ended June 30, 2020:

- Operating expenses decreased to \$177,552 for the three months ended June 30, 2021, compared to \$830,101 for the three months ended June 30, 2020. Significant variances include the following:
 - Insurance decreased to \$29,599 for the three months ended June 30, 2021, compared to \$67,090 for the three months ended June 30, 2020, due to a reduction of insurance requirements. The insurance expense for the three months ended June 30, 2021, relates solely to directors and officers' liability insurance coverage.
 - Accretion expense decreased to \$9,992 for the three months ended June 30, 2021, compared to \$81,605 for the three months ended June 30, 2020, due to the full repayment of a material loan during the year ended December 31, 2020. Accretion expense for the three months ended June 30, 2021, is solely related to the accretion of deferred loan issuance costs on the MYM loan.
 - Bad debt expense decreased to \$nil for the three months ended June 30, 2021, compared to \$100,000 for the three months ended June 30, 2020, due to a provision for disallowed goods and services tax recoverable in the three months ended Jun 30, 2020.

- Consulting fees decreased to \$nil for the three months ended June 30, 2021, compared to \$156,724 for the three months ended June 30, 2020, due consulting services relating to the sale of HGI.
- Salaries and wages decreased to \$nil for the three months ended June 30, 2021, compared to \$175,769 for the three months ended June 30, 2020, due to a reduction in staffing levels throughout the organization as a result of the discontinued operations.
- Stock-based compensation increased to \$16,525 for the three months ended June 30, 2021, compared to \$nil for the three months ended June 30, 2020, due to the vesting of options granted on July 31, 2020.
- Net expense from other items increased to \$12,371,422 for the three months ended June 30, 2021, compared to net income from other items of \$379,331 for the three months ended June 30, 2020. Significant variances include:
 - The Company recorded a \$12,270,941 loss on the change in fair value of investments in MYM for the three months ended June 30, 2021 (2021 - \$nil).
 - The Company recorded \$nil other income in the six months ended June 30, 2021, compared to \$499,247 in the six months ended June 30, 2020, due to a recovery of consulting fees and a COVID-19 salary and wage subsidy received for the six months ended June 30, 2020.

5. COMPARISON OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

	2021	2020
	\$	\$
Operating expenses	275,162	1,783,196
Other income	5,036,766	320,123
Net income (loss) from continuing operations	4,761,604	(1,551,406)
Net loss from discontinued operations	-	(774,832)
Net income (loss) and comprehensive income (loss)	4,761,604	(2,326,238)

During the six months ended June 30, 2021, the Company incurred \$4,761,604 net income from continuing operations (2020 - \$1,551,406 net loss from continuing operations) and \$4,761,604 net income and comprehensive income (2020 - \$2,326,238 net loss and comprehensive loss).

Highlights during the six months ended June 30, 2021:

- Operating expenses decreased to \$275,162 for the six months ended June 30, 2021, compared to \$1,783,196 for the six months ended June 30, 2020. Significant variances include the following:
 - Insurance decreased to \$59,198 for the six months ended June 30, 2021, compared to \$179,435 for the six months ended June 30, 2020, due to a reduction of insurance requirements. The insurance expense for the six months ended June 30, 2021, relates solely to directors and officers' liability insurance coverage.
 - Accretion expense decreased to \$19,278 for the six months ended June 30, 2021, compared to \$508,904 for the six months ended June 30, 2020, due to the full repayment of a material loan during the year ended December 31, 2020. Accretion expense for the six months ended June 30, 2021, is solely related to the accretion of deferred loan issuance costs related to the MYM loan.
 - Bad debt expense decreased to \$nil for the six months ended June 30, 2021, compared to \$100,000 for the six months ended June 30, 2020, due to a provision for disallowed goods and services tax recoverable in the three months ended Jun 30, 2020.
 - Consulting fees decreased to \$nil for the six months ended June 30, 2021, compared to \$190,958 for the six months ended June 30, 2020, due consulting services relating to the sale of HGI.
 - Salaries and wages decreased to \$nil for the six months ended June 30, 2021, compared to \$428,048 for the six months ended June 30, 2020, due to a reduction in staffing levels throughout the organization as a result of the discontinued operations.

- Stock-based compensation increased to \$32,869 for the six months ended June 30, 2021, compared to \$nil for the six months ended June 30, 2020, due to the vesting of options granted on July 31, 2020.
- Income from other items increased to \$5,036,766 for the six months ended June 30, 2021, compared to income of \$320,123 for the six months ended June 30, 2020. The significant variances include:
 - The Company recorded a \$512,554 realized gain on investments sold and a \$4,705,357 gain on the change in fair value of investments in MYM for the six months ended June 30, 2021 (2021 - \$nil).
 - The Company recorded \$nil other income in the six months ended June 30, 2021, compared to \$499,247 in the six months ended June 30, 2020, due to a recovery of consulting fees and a COVID-19 salary and wage subsidy received for the six months ended June 30, 2020.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company had the following balances and activities during the six months ended June 30, 2021:

- As at June 30, 2021, the Company had \$16,837,843 total assets (December 31, 2020 - \$12,580,607) and a \$11,310,812 positive working capital (December 31, 2020 - \$8,459,522).
- As at June 30, 2021, the Company had \$183,203 cash and \$207,507 prepaid expenses (December 31, 2020 - \$98,113 and \$307,600).
- As at June 30, 2021, and December 31, 2020, share capital was \$23,183,398, comprising 112,417,435 issued and outstanding common shares and 1 special class C share.
- During the six months ended June 30, 2021, the Company used net cash of \$528,386 in continuing operating activities (six months ended June 30, 2020 – cash used of \$1,094,341).
- During the six months ended June 30, 2021, the Company received cash of \$923,314 from continuing investing activities (six months ended June 30, 2020 - \$nil).
- During the six months ended June 30, 2021, the Company used cash of \$309,374 from continuing financing activities (six months ended June 30, 2020 – cash used of \$695,777).

At present, the Company relies on the sale of its investments in marketable securities to generate cash inflows, while the Company actively reviews opportunities in a variety of industries as part of its restructuring efforts.

5.1 Working capital

Working capital as at June 30, 2021, and December 31, 2020, consisted of the following:

	2021	2020
	\$	\$
Cash	183,203	98,113
Restricted cash	471,850	471,386
Goods and services tax recoverable	15,389	38,211
Prepaid expenses	207,507	307,600
Investments	15,959,894	11,152,935
Total current assets	16,837,843	12,068,245
Accounts payable and accrued liabilities	2,042,495	2,358,723
Loans payable	3,484,536	1,250,000
Total current liabilities	5,527,031	3,608,723
Working capital	11,310,812	8,459,522

As at June 30, 2021, the Company had \$11,310,812 working capital (December 31, 2020 - \$8,459,522). The significant increase in working capital was primarily driven by the increase in the fair market value of MYM shares from \$11,152,935 at December 31, 2020, to \$15,959,894 as at June 30, 2021, resulting in a gain of \$4,705,357 for the six months ended June 30, 2021.

5.3 Cash flow for the six months ended June 30, 2021 and 2020

For the six months ended	2021	2020
	\$	\$
Operating activities		
Cash used in continuing operating activities	(528,386)	(1,094,341)
Cash provided by discontinued operating activities	-	597,743
Financing activities		
Cash used in continuing financing activities	(309,374)	(695,777)
Cash used in discontinued financing activities	-	(9,398)
Investing activities		
Cash provided by continuing investing activities	923,314	-
Cash provided by discontinued investing activities	-	55,064
Change in cash, continuing operations	85,554	(1,790,118)
Change in cash, discontinued operations	-	643,409

An explanation of cash flows from continuing operations is as follows:

- Operating activities used \$528,386 cash during the six months ended June 30, 2021, compared to \$1,094,341 cash used during the six months ended June 30, 2020. The decrease in cash used is primarily due to a reduction in cash paid on salaries and wages, consulting, insurance, and professional fees.
- Financing activities used \$309,374 cash during the six months ended June 30, 2021, as compared \$695,777 cash used during the six months ended June 30, 2020. The decrease in cash used is due a reduction in debt repayments from \$309,374 for the six months ended June 30, 2021, compared to \$1,095,777 cash used for the six months ended June 30, 2020. This reduction is partially offset by a \$400,000 short-term loan received in the six months ended June 30, 2020 (2021 - \$nil).
- Investing activities provided \$923,314 cash during the six months ended June 30, 2021, related to the sale of its investment in marketable securities compared to \$nil cash provided during the six months ended June 30, 2020.

5.4 Debt financing

- On July, 31, 2020, in connection with sale of HGI, MYM agreed to loan the Company an amount equal to \$1,000,000 (the "MYM Loan – Tranche #1") plus the balance of certain liabilities of HGI, which continued to be owing by HGI, post-closing, in the amount of \$1,664,141 (the "MYM Loan – Tranche #2"), both 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 (together the "MYM Loan"). The MYM Loan bears interest at a rate of 17.5% per annum.

Pursuant to the loan and security agreement, the Company incurred a one-time set-up fee equal to 8% of the MYM Loan – Tranche #1 advance. Interest on the MYM Loan is calculated from July 31, 2020 and is payable monthly beginning on November 30, 2020. The total debt issuance costs of \$80,000 were applied against the loan principle in the amount of \$2,664,141 and are accreted over the term of the loan.

As at June 30, 2021, the Company the carrying value of this loan is \$2,234,536.

- 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, 2021, the carrying value of these loans are \$1,250,000 (December 31, 2020 - \$1,250,000).

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, 2021, the Company had access to cash, investments in marketable securities, and goods and services tax recoverable. 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 June 30, 2021, and the date of this MD&A:

	2021	Date of this MD&A
	#	#
Common shares	112,417,435	112,417,435
Special Class C Share	1	1
Stock options	1,700,000	1,700,000
Warrants	6,359,634	6,344,922
Fully diluted	120,477,070	120,462,358

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. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered 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 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 ("CFO"). During the three and six months ended June 30, 2021 and 2020, key management compensation consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Consulting fees	\$ -	\$ -	\$ -	\$ 1,846
Salaries and wages	-	84,249	-	191,360
Interest expense	-	4,400	-	20,300
Stock-based compensation	16,525	-	32,869	-
	16,525	88,649	32,869	213,506

The following table summarizes the amounts due to related parties as at June 30, 2021 and December 31, 2020:

	2021	2020
	\$	\$
Accounts payable and accrued liabilities	220,985	325,906
Loans payable	1,250,000	1,250,000
	1,470,985	1,575,906

As at June 30, 2021, accounts payable and accrued liabilities include \$220,985 (December 31, 2020 - \$220,98) 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 December 31, 2020, accounts payable and accrued liabilities include \$104,921 for fees payable to the former CFO of the Company. The amount was unsecured, non-interest bearing and due on demand.

As at June 30, 2021, the Company has loans payable totaling \$1,250,000 (December 31, 2020 - \$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, 2020. The interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

During the year ended December 31, 2020, the Company adopted the following new or amended accounting standards:

Discontinued operations

A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Investments

The Company's investments are classified as fair value through profit and loss. Investments held in companies with an active market are classified as current assets at fair value. The original value at the time the Company legally obtains title of the shares is based upon the closing market price of the shares on the date of acquisition. The shares are revalued at each period based upon the closing market price of the shares at the balance sheet date. The change in fair value is recorded as unrealized (gain) loss on investments on the audited condensed consolidation statement of loss and comprehensive loss.

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 goods and services tax recoverable, accounts payable and accrued liabilities and the current portion of loans payable approximate their respective fair values due to the short-term nature of these instruments. The fair value of loans payable approximates fair value as it is discounted using a market rate of interest. The fair value of investments has been determined in whole by reference to the bid price of the shares on the Canadian Securities Exchange ("CSE") at each reporting date.

As at June 30, 2021, the Company's financial instruments consist of cash, restricted cash, investments, accounts payable and accrued liabilities and loans payable.

Financial risk management objectives and policies

The Company's financial instruments include cash, restricted cash, goods and services tax recoverable, investments, accounts payable and accrued liabilities 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, 2021, 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 debt and other accounts payable relative to the sale of investments (marketable securities). Due to the ongoing COVID 19 pandemic, liquidity risk has been assessed as high.

(v) *Maturity risk*

The Company's cash balance as at June 30, 2021 was in the amount of \$183,203. As at June 30, 2021, the Company had accounts payable and accrued liabilities of \$2,042,495 and loans payable of \$3,484,536. All accounts payable and accrued liabilities and loans payable are current.

As at June 30, 2021, the Company did not have derivative financial liabilities with contractual maturities.

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, 2021 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year
	\$	\$	\$
Accounts payable	2,042,495	2,042,495	2,042,495
Loans payable	3,484,536	3,510,178	3,510,178
Balance, June 30, 2021	5,527,031	5,552,673	5,552,673

(vi) *Market risk*

The Company is exposed to market risk because of the fluctuating values of its publicly traded investment in MYM. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2021 value of investments, a 10% increase or decrease in the share price of MYM would have impacted income (loss) for the year, up or down, by approximately \$1,595,989 (December 31, 2020 - \$1,166,530) before income taxes.

14. EVENTS AFTER THE REPORTING PERIOD

Investments

On July 9, 2021, MYM was acquired by IM Cannabis Corp. ("IMC") and under the terms of the agreement, all MYM Shares were converted into common shares of IMC. The Company received 2,700,905 IMC common shares (of which 336,183 are held in escrow), in exchange for 122,768,413 MYM Shares (which included 15,281,054 Escrow Shares).

Share purchase warrants

On August 16, 2021, 14,712 share purchase warrants with an exercise price of \$20.00 expired unexercised.

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 income from continuing operations for the six months ended June 30, 2021, of \$4,761,604 and has an accumulated deficit of \$14,397,952. 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. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements for the three and six months ended June 30, 2021 and 2020 and this accompanying MD&A (together, the "Interim Filings"). In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual and Interim Filings on SEDAR at www.sedar.com.

17. ADDITIONAL INFORMATION

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