CubicFarm Systems Corp.

Consolidated Financial Statements

For The Year Ended June 30, 2020

Contents

Independent Auditor's Report

To the Shareholders of CubicFarm Systems Corp.:

Opinion

We have audited the consolidated financial statements of CubicFarm Systems Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $10,110,752 during the year ended June 30, 2020 and, as of that date, has an accumulated deficit of $20,069,773. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

October 28, 2020

MNP LLP

Chartered Professional Accountants

CubicFarm Systems Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	**June 30, 2020**	June 30, 2019
		$	$
Assets			
Current			
Cash & Cash Equivalent	7	**3,604,412**	9,900,987
Restricted Cash	7.1	**-**	310,000
Trade and Other Receivables	8	**2,186,568**	969,920
Inventory	9	**2,702,344**	225,635
Prepaid expenses & Deposits	10	**1,622,799**	1,699,048
		10,116,123	13,105,590
Non-current			
Goodwill	6	**1,834,755**	-
Property, Plant and Equipment	11	**2,596,770**	3,132,936
Promissory note, associates	12	**-**	269,132
Investment in Associates	12	**21**	546,541
Intangible Assets	13	**5,090,972**	1,048,295
Right-of-Use Asset	5	**1,501,966**	-
		11,024,484	4,996,904
Total assets		**21,140,607**	18,102,494
Liabilities			
Current			
Trade and Other Payables	14	**1,298,599**	1,259,761
Earn-Out Payable	6	**290,915**	-
Customer Deposits	15	**1,709,666**	2,280,305
Lease Payable	5	**170,558**	-
Loan payable	17	**60,531**	-
Warranty Provision	16	**251,100**	388,649
		3,781,369	3,928,715
Non-current			
Lease Payable	5	**1,219,084**	-
Restoration Provision	5	**132,267**	-
Loan payable	17	**204,590**	-
Deferred Tax Liability	6	**345,035**	-
Earn-Out Payable	6	**1,073,841**	-
Total liabilities		**6,756,186**	3,928,715
Equity			
Share Capital	22	**31,825,583**	22,740,341
Shares issuable	6	**270,778**	-
Equity Reserves		**2,376,484**	1,411,110
Accumulated other comprehesive income		**(18,651)**	-
(Deficit)		**(20,069,773)**	(9,977,672)
Total equity		**14,384,421**	14,173,779
Total liabilities and equity		**21,140,607**	18,102,494

Going Concern	3
Subsequent Events	29

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these consolidated financial statements.

CubicFarm Systems Corp.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	For the year ended June 30, 2020	June 30, 2019
		$	$
Revenue		**5,167,488**	5,356,031
Cost of sales		**2,928,981**	4,076,833
Gross margin		**2,238,507**	1,279,198
Operating and General Administration expenses	18	**8,147,257**	4,119,200
Warranty expense		**89,189**	468,108
Selling expenses		**535,039**	127,211
Research & Development		**1,328,218**	2,458,234
Impairment-Investment in associate	12	**614,364**	-
Share based compensation	23	**978,538**	481,480
		11,692,605	7,654,233
Loss before other income (expense)		**(9,454,098)**	(6,375,035)
Other income (expense)			
Other income	19	**310,595**	-
Fair value change for earn-out payments	6	**32,717**	-
Finance income		**110,708**	75,732
Finance expense		**(3,072)**	(15,984)
Accretion charge	5	**(22,797)**	-
Foreign exchange gain(loss)		**(71,396)**	4,713
Gain on disposal of Property Plant & Equipment		**-**	8,967
Loss on investment in associate	12	**(311,908)**	(22,051)
Public listing		**(36,676)**	(560,587)
Bad debt expense	8	**(881,977)**	(746,379)
		(873,806)	(1,255,589)
Loss before Income tax		**(10,327,904)**	(7,630,624)
Income taxes recovery	27	**235,803**	-
Net Loss for the year		**(10,092,101)**	**(7,630,624)**
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Foreign currency translation loss		**(18,651)**	-
Total Comprehensive loss		**(10,110,752)**	(7,630,624)
Basic & Diluted per share	28	**$ (0.11)**	$ (0.11)

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in Canadian dollars)

	Notes	*No of Shares*	*Common Share capital*	*Preferred Share capital*	*Equity Reserves*	*Other Comprehensive Income*	*Shares Issuable*	*Deficit*	*Total equity*
		#	$	$	$	$	$	$	$
Balance, June 30, 2018		**60,103,186**	**2,098,134**	**3,524,804**	**213,109**	**-**	**-**	**(2,347,048)**	**3,488,999**
Net loss for the Year		-	-	-	-		-	(7,630,624)	(7,630,624)
Issuance of Preferred Shares	22	-	-	2,402,740	-		-	-	2,402,740
Conversion of Preferred Shares	22	7,175,448	5,927,544	(5,927,544)	-		-	-	-
Exercise of stock options		2,300,000	737,500	-	(386,667)		-	-	350,833
Issuance of shares, net of share issuance costs		13,462,691	12,977,163	-	-		-	-	12,977,163
Issuance of shares,for services		1,138,389	1,000,000						1,000,000
Share-based payments		-	-	-	1,584,668		-	-	1,584,668
Balance, June 30, 2019		**84,179,714**	**22,740,341**	**-**	**1,411,110**	**-**	**-**	**(9,977,672)**	**14,173,779**
Net loss for the year		-	-	-	-			(10,092,101)	(10,092,101)
Exercise of stock options		238,000	84,266	-	(39,046)		-	-	45,220
Issuance of shares, net of share issuance costs	22	21,897,301	5,149,790	-	-		-	-	5,149,790
Issuance of shares for acquisition of CubicFeed	6	10,000,000	3,851,186	-	-		270,778	-	4,121,964
Foreign currency translation		-	-	-	-	(18,651)	-	-	(18,651)
Share-based payments	23	-	-	-	1,004,420		-	-	1,004,420
Balance, June 30, 2020		**116,315,015**	**31,825,583**	**-**	**2,376,484**	**(18,651)**	**270,778**	**(20,069,773)**	**14,384,421**

The accompanying notes are an integral part of these consolidated financial statements.

CubicFarm Systems Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	For the year ended	
	June 30, 2020	June 30, 2019
	$	$
Cash provided by (used for) the following activities		
Operating activities		
Net loss for the year	**(10,092,101)**	(7,630,624)
Depreciation - Property, plant and equipment	**468,674**	250,054
Depreciation - Right-of-use asset	**88,557**	-
Impairment	**614,364**	-
Accretion charges	**22,797**	-
Amortization	**101,006**	131,870
Gain on disposal of property, plant and equipment	**-**	(8,967)
Provision for bad debt	**881,977**	746,379
Foreign exchange	**(18,651)**	-
Provision on long term associate	**-**	10,600
Share-based payments	**1,004,420**	2,570,283
Release/(Increase) of restricted cash	**310,000**	(310,000)
Loss on investment in associate	**311,908**	22,051
Warranty provision	**89,189**	468,108
Interest income	**(110,708)**	(75,732)
	(6,328,568)	(3,825,978)
Changes in working capital accounts		
Trade and other receivables	**(2,245,309)**	(1,682,608)
Inventories	**(1,951,736)**	(225,635)
Prepaid expenses and deposits	**76,249**	(1,269,804)
Trade and other payables	**38,838**	1,004,584
Customer deposits	**(570,639)**	1,396,613
Warranty drawdown	**(226,738)**	(79,459)
	(4,879,335)	(856,309)
Investing activities		
Purchases of property, plant, and equipment	**(457,481)**	(1,482,077)
Promissory note, associate	**(110,620)**	(848,323)
Interest Income	**110,708**	75,732
	(457,393)	(2,254,668)
Financing activities		
Issuance of common shares	**5,149,790**	13,977,163
Exercise of stock options	**45,220**	350,833
Lease payments	**(91,410)**	-
Other Loan Payable	**265,121**	-
Proceeds of demand loan	**-**	802,500
Payment of demand loan	**-**	(802,500)
	5,368,721	14,327,996
Increase (decrease) in cash and cash equivalents	**(6,296,575)**	7,391,041
Cash and cash equivalents, beginning of period	**9,900,987**	2,509,946
Cash and cash equivalents, end of period	**3,604,412**	9,900,987

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Exercise of stock options		2,300,000	737,500	-	(386,667)		-	-	350,833
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Increase (decrease) in cash and cash equivalents	**(6,296,575)**	7,391,041
Cash and cash equivalents, beginning of period	**9,900,987**	2,509,946
Cash and cash equivalents, end of period	**3,604,412**	9,900,987

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting entity

CubicFarm Systems Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 8, 2015. The Company is domiciled in Canada and its principal address is 19951 80A Avenue, Unit 353, Langley, BC, V2Y 0E2.

The Company listed its common shares on the TSXV as a Tier 1 issuer in July 2019. The Company's common shares trade on the TSXV in Canada under the symbol "CUB".

The Company is an agriculture technology and vertical farming company that develops, employs, and sells modular growing systems with patented and patent-pending technologies (the "System") to provide high-quality, predictable crop yields for farms around the world. In addition, the Company leverages its technology by operating its own facility in Pitt Meadows, British Columbia. On January 1, 2020, the Company completed the acquisition of all of the issued and outstanding shares of Hydrogreen Inc.(Formally named CubicFeed Systems U.S. Corp), a manufacturer of fully automated hydroponic growing systems that produce live, green animal feed prioritizing animal health and performance.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Statement of compliance

These consolidated financial statements for the year ended June 30, 2020 and June 30, 2019 have been prepared in accordance with International Financial Reporting Standard (IFRS). The consolidated financial statements comply with IFRS as issued by International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and effective for the year ended June 30, 2020.

The Board of Directors approved these consolidated financial statements on October 28, 2020.

3. Going concern

These consolidated financial statements have been prepared on the basis that Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business.

To date, the Company has financed its operations primarily through share issuances. The development of modular growing systems and animal feed system as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement. The company has incurred significant operating losses and cash outflow from operations.

As at June 30, 2020, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon achieving future profitable operations and may also be dependent upon raising additional financing through borrowings or equity issuance. The outcome of these matters is dependent on a number of items outside the Company's control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

(Expressed in Canadian dollars, unless otherwise stated.)

3. Going concern (continued)

The Company incurred a total comprehensive loss of $10,110,752 for the year ended June 30, 2020 (2019- $7,630,624) and has accumulated a deficit of $20,069,773 at June 30, 2020. As at June 30, 2020, the company has working capital of $6,334,755, compared with $9,176,875 at the same time in the previous fiscal year (June 30, 2019).

These consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumptions were not found to be appropriate for these consolidated financial instruments, adjustments might be necessary in the carrying values of assets and liabilities, the statement of consolidated financial position classifications and the reported expenses. Such adjustment could be material.

Severe adverse conditions and material uncertainties, including, without limitation, no products demand, may cast significant doubt upon the Company's ability to continue as a going concern.

4. Basis of preparation and significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except as permitted by IFRS and as otherwise indicated within these notes. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. The principal subsidiaries of the Company and associates to which it is a party were as follows at June 30, 2020.

Subsidiary name	Location	Interest	Classification and accounting method	Principal activity
CubicFarm Manufacturing Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Manufacture of cubic farming systems
CubicFarm Innovation Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Research on new technologies for cubic farming systems
CubicFarm Produce Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Growth and sale of lettuce, microgreen, and other products
CubicFarm Services Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Purchase of materials for growth and sale of seeds, substrates and other nutrients used in agricultural companies
CubicFarm Capital Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Holding company
Swiss Leaf Farms Ltd.	AB, Canada	50%	Equity method	Associate- Growth and sale of lettuce, microgreen, and other products
Artex Feed Solutions Ltd.	BC, Canada	50%	Equity method	Associate-Authorized reseller of hydroponic animal feed system
CubicFarm Systems U.S. Corp	DE, USA	100%	Subsidiary; Consolidation method	Holding company
Hydrogreen Inc	SD, USA	100%	Subsidiary; Consolidation method	Manufacture and sale of animal feed system
1241876 B.C. Ltd	BC, Canada	20%	Equity method	Associate-Growth and sale of lettuce, microgreen, and other products

4. Basis of preparation and significant accounting policies (continued)

Functional and presentation currency

These consolidated financial statements are presented in the Canadian dollars, which is the functional currency of the Company and each of its subsidiaries except for CubicFarm Systems U.S. Corp & Hydrogreen Inc for which it is the US dollar. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

Foreign Currency Translation

All figures presented in the consolidated financial statements and disclosures to the consolidated financial statements are reflected in Canadian dollars, which is the functional currency of the Company. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the foreign exchange rate applicable at each reporting period. Realized and unrealized exchange gains and losses are recognized in the Consolidated Statements of Loss and Comprehensive Loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction. Foreign currency gains and losses are reported on a net basis. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve. Also Cumulative Translation Adjustment on conversion of foreign subsidiary into Canadian dollar is recognized in other comprehensive income in the translation reserve.

Translation

The financial records accounts of Hydrogreen Inc. are being translated from USD to CAD as at June 30, 2020 for the purpose of consolidation. The monetary items are translated at the closing rate on June 30, 2020. Non-monetary items recorded at fair value are translated at the foreign exchange rate at the time when fair value was measured and income statement items are translated at average foreign exchange rate for the quarter with the exception of amortized depreciation (which is translated at average foreign exchange rate) and intercompany balances (which are translated at the applicable foreign exchange rate that was recorded in transferring company's financial records at the time of transfer). The exchange difference loss of $47,308 for the current quarter, and $18,651 for twelve months ended June 30, 2020, have been recognized in the other comprehensive income of the Consolidated Statements of Loss and Comprehensive Loss.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements and accompanying notes.

Areas involving significant estimates and judgements include the useful life of property, plant and equipment and intangible assets, the provision for warranty claims, the provision for bad debts, all business combinations, goodwill, tangibles and earnout payables, the classification of joint arrangements, the impairment of non-financial assets, the expected credit loss, judgements regarding lease terms and discount rates for leases, standalone selling price estimation and assumptions with respect to Black-Sholes option pricing model inputs in calculating share-based compensation expense.

Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

4. **Basis of preparation and significant accounting policies (continued)**

Summary of Significant Accounting Policies

The accounting policies applied by the Company in these consolidated financial statements are the same as those applied by the Company in its audited consolidated financial statements for the year ended June 30, 2018 except for the adoption of new standards and interpretations effective as at January 1, 2019 as disclosed in note 5 and including the following:

Cash and Cash Equivalents

Cash and cash equivalents include cash held at financial institutions and highly liquid investments with the ability to be converted into cash within 90 days or less of their acquisition date.

Revenue recognition

IFRS 15 Revenue from contracts with customers provides a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This model features a contract based five step analysis of transactions to determine whether, how much and when revenue is recognized.

The Company derives its revenue from the sale of containers & animal feed systems, installation, onsite training, license & subscription fees as well as sale of seeds, substrate and nutrients and spare parts for containers and animal feed systems. The Company recognizes revenue when it transfers the risks and control of the container and animal feed system to the customers, which generally occurs upon delivery or transfer of title. For installation and onsite training, revenue is recognized when the related service is provided, and proper completion sign off is obtained from the customer. The Company recognizes license and subscription fees when the service is provided, which is recognizing over time at the gross amount of consideration.

Revenue for bill and hold arrangements is recognized when performance obligations under the terms of a contract with a customer are satisfied, which is upon the transfer of risk and control of the contracted product. The company employs bill and hold arrangements for some of the customers where the customer is billed for the product, that are ready for delivery, but the company does not ship the product to the customer until a later date - control typically transfers when the product is ready for physical transfer to the customer, and the Company has satisfied the performance obligation.

In these sales transactions, the Company fulfils its obligations and bills the customer for the work performed but does not ship the goods until a later date. These transactions are designed this way at the request of the customer and are typically due to the customer's lack of available storage space for the product, or due to delays in the customer's construction schedules.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the First In First Out (FIFO) method. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling costs.

Property, plant, and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. All assets having limited useful lives are depreciated using either the diminishing balance method or the straight-line method over their estimated useful lives. Internally constructed assets are depreciated from the time an asset is available for use. Half year rule has been applied to the assets acquired in the current year.

The methods of depreciation and depreciation rates applicable to each class of asset during the current and comparative period are as follows:

4. Basis of preparation and significant accounting policies (continued)

	Method	Rate
Production equipment (Containers)	Straight line	10 years
Other Production Equipment (Non-Containers)	Straight line	3 years
Other Equipment	Declining balance	15%
Leasehold Improvement	Straight line	5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%

Business Combination

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill represents the excess of the purchase price paid for the acquisition of the subsidiaries over the fair value of the net assets acquired. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any gain on bargain purchase is recognized immediately in the profit or loss. Transaction costs are expensed as incurred, except if related to the issuance of debt or equity securities. The consideration transferred does not include amounts relating to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the profit or loss.

Business combinations require judgement and estimates to be made at the date of acquisition in relation to determining assets and liabilities fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities and the determination of a bargain purchase gain on acquisition, if any. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgements and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Loss and Comprehensive Loss. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or more frequently when circumstances indicate that the carrying value may not be recoverable. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each cash generating unit containing the assets to its recoverable amount An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in-use.

The development costs are being amortized straight-line over the first 500 units produced. Intellectual Property acquired in a business combination are measured at fair value at the acquisition date and are amortized over the first 1000 units produced. Patent is amortized over the useful life of the individual patents. The range of useful life is from 13 to 16 years.

4. Basis of preparation and significant accounting policies (continued)

Share based compensation

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Warranty provision

The Company provides warranties for defects in materials and workmanship for the systems it sells. The estimated costs related to warranties are accrued at the time the systems are sold. These estimates are established using historical information from similar industries on the nature, frequency, and average cost of claims of each product and assumptions about future activity and events. Revisions are made when necessary and are based on changes in these factors.

Income tax & deferred tax

Taxation on the profit or loss for the year comprises of current and deferred tax. Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or even which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Any changes in deferred tax assets or liabilities are recognized as part of tax expense or income in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income (loss) or equity, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long lived assets to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis. Recoverable amount is the higher of

4. Basis of preparation and significant accounting policies (continued)

fair value less costs of disposal and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows). If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

Impairment of financial asset

The company recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contact and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Related parties' transactions

Parties are 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. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Expected Credit Loss
The valuation of allowances for uncollectable trade receivables requires assumptions including estimated credit losses based on the Company's knowledge of the financial conditions of its customers, historical experience, and general economic conditions.

4. Basis of preparation and significant accounting policies (continued)

Customer Deposits

Customer deposits consist of funds paid by customers for systems based on the sales agreement. The customer may cancel the order prior to shipping of the equipment, subject to the following restocking fees. If the customer cancels the order before the manufacturing of the equipment has commenced, the customer shall pay a restocking fee of 10% of the purchase price. If the customer cancels the order thereafter but prior to shipping of the equipment, the customer shall pay a restocking fee of 20% of the purchase price. The order shall not be cancellable after shipping of the equipment. These are accounted as liability in the financial statement.

Goodwill

Goodwill is recorded at cost less any reduction for impairment. Goodwill is tested for impairment on an annual basis or when events occur that may indicate impairment. For this purpose, the company considers both internal and external sources of information on annual basis. The company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the year ended June 30, 2020, the company's goodwill was determined to not be impaired.

Government Grants

The Company accounts for government grants when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Non-monetary grants, such as land or other resources, are usually accounted for at fair value. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognised as income in the period in which it is receivable. A grant relating to assets is presented in one of two ways either as deferred income or by deducting grant from the asset's carrying amount. A grant relating to income is separately reported as 'other income' or deducted from the related expense. If a grant becomes repayable, it will be treated as a change in estimate. Where the original grant relates to income, its repayment will be applied first against any related unamortised deferred credit, and any excess is dealt with as an expense. Where the original grant relates to an asset, its repayment will be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received is charged as an expense.

5. Adoption of new and amended accounting standards

IFRS 16 Leases

IFRS 16 Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases. It eliminates the classification of leases as either operating or finance leases required by IAS 17 and introduces a single lessee accounting model.

The Company adopted IFRS 16 retrospectively from July 1, 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. Therefore, the adjustments arising from the new leasing rules were recognized in the opening balance sheet on July 1, 2019.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard.

- Account for leases with a remaining term of less than 12 months as of July 1, 2019 as short-term leases.
- Application of a single discount rate to a portfolio of leases with similar characteristics.

(Expressed in Canadian dollars, unless otherwise stated.)

5. Adoption of new and amended accounting standards (continued)

- Account for lease payments as an expense and not recognize a right-to-use asset if the underlying asset is of low dollar value (USD $5000 or lower); and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

Lease in Canada

The Company leases its office space, the farming facility in Pitt Meadows, British Columbia, and one vehicle. The office space and vehicle leases both have a term of one year. The farming facility is leased for five years, with an option to renew for a further five years. Until June 30, 2019, all leases of the Company were classified as operating leases and payments made were charged directly to profit or loss.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to its farming facility. The Company applied the practical expedient to the office space and vehicle lease, as they are for a period less than 12-months. The term of the lease of the farming facility is five years with an option to renew. The management of the Company expects that the facility will be used until 2028.

From July 1, 2019, leases are recognized as a right-to-use asset with a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over ten years. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 6.99%. The associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility. As a result, on July 1, 2019, the Company recognized total lease liabilities of $79,974 and right-of-use assets of $184,268 which consists of total lease liabilities of $79,974 and estimated cost of restoring the facility at the end of lease term at $104,294. For discounting the estimated cost of restoring the facility the company used time value of money rate (Rate of return on Government of Canada Bonds for 10 years) of 1.37%.

A reconciliation of the lease commitments as reported at June 30, 2019 to the lease liabilities recorded at July 1, 2019 is as follows:

Particulars	**$**
Operating lease commitment as at June 30, 2019	123,727
Discounted using company's incremental borrowing rate at initial recognition	112,136
Less: Short term leases recognized on a straight-line basis as expense under Operating & General Admin Expenses	(78,256)
Add: Change in estimate for additional period (5 years)	46,094
Balance as at July 1, 2019	**79,974**

(Expressed in Canadian dollars, unless otherwise stated.)

5. Adoption of new and amended accounting standards (continued)

Lease in United States

On Acquisition of Hydrogreen Inc., the Company also recognized the lease of farmland at South Dakota as per IFRS 16. The liability pertaining to the lease of the farming facility was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 6.99%. The associated right-of-use asset was measured at the value of the lease liability plus the estimated cost of restoring the facility. As a result, on January 1, 2020, the Company recognized total lease liabilities of USD $164,455 and right-of-use assets of USD $174,135 which consists of total lease liabilities of USD $164,455 and estimated cost of restoring the facility at the end of lease term at USD$9,680. For discounting the estimated cost of restoring the facility the Company used the time value of money rate (Rate of return on Government of Canada Bonds) of 1.64%. Another five-year lease was also signed by Hydrogreen Inc. after acquisition effective April 1, 2020 and same discounting rate for estimated cost of restoring the facility is being used.

A continuity of the Company's lease liability and the right-of-use asset for the farming facility is as follows:

			June 30, 2020
Lease Liability	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	79,974	-	79,974
Additions during the year	-	1,379,871	1,379,871
Payments	(10,000)	(81,410)	(91,410)
Accretion expense	426	20,781	21,207
Ending	**70,400**	**1,319,242**	**1,389,642**
Current	(8,927)	(161,631)	(170,558)
Long term	**61,473**	**1,157,611**	**1,219,084**

			June 30, 2020
Right of Use Asset	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	184,268	-	184,268
Additions during the year	-	1,406,255	1,406,255
Depreciation (Operating & General Admin expenses)	(20,462)	(68,095)	(88,557)
Ending	**163,806**	**1,338,160**	**1,501,966**

			June 30, 2020
Restoration Provision	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	104,294	-	104,294
Accrual for restoration of the facility	-	26,383	26,383
Accretion	1,429	161	1,590
Ending	**105,723**	**26,544**	**132,267**

The lessor of the farming facility in Canada is a related party to the Company by virtue of common Board of Director.

5. Adoption of new and amended accounting standards (continued)

IAS 28 Investments in Associates and Joint Ventures

Amendments were made to IAS 28, clarifying that IFRS 9, Financial Instruments requirements, including its impairment requirements, apply to long-term interests. The expected credit loss impairment requirements in IFRS 9 are applied first to long-term interests, followed by the adjustments to their carrying amount required by IAS 28, i.e. the adjustments resulting from the allocation of losses of the investees. This is followed by the determination of whether there are indicators of impairment which require an impairment test to be applied to the entire remaining carrying amount of the investment in the associate or joint venture.

The Company adopted these amendments on July 1, 2019. The Company has 50% investment in Swiss Leaf Farms Ltd. ("Swiss Farm") (Note 11), which is accounted for under the equity method. The Company has also provided loans to Swiss Farm. The promissory note receivable from Swiss Farm was measured at fair value on initial recognition, the Company has applied the impairment requirements of IFRS 9 and written off the related balances (Note 7).

6. Business combinations & translation

Business combination

On January 1, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Hydrogreen Inc., ("HydroGreen") a private US based company and a manufacturer of fully automated hydroponic growing systems that produces live, green animal feed, prioritizing animal health and performance.

The acquisition of HydroGreen, enables the Company to expand in the automated controlled-environment-agriculture space. The combination of both CubicFarms and HydroGreen technologies allows the Company to address both fresh produce and animal feed markets and leverage the learning and assets of both companies.

The Company completed the acquisition of HydroGreen on January 1, 2020. The Acquisition was completed by way of a reverse triangular merger of CubicFeed Systems U.S. Corp., a wholly owned subsidiary of the Company, and HydroGreen, resulting in HydroGreen being renamed to "CubicFeed Systems U.S. Corp" and becoming an indirect and wholly owned subsidiary of the Company. The new CubicFarms subsidiary was subsequently re-named Hydrogreen Inc.

Under the terms of the merger agreement, holders of HydroGreen shares ("HydroGreen Shareholders") received 10,000,000 common shares of CubicFarms on the closing date, with a maximum of another 1,000,000 shares to be issued on the six-month anniversary of closing, subject to any set-off relating to indemnification (the "Consideration Shares"). The Acquisition did not result in any of the shareholders of HydroGreen holding more than 5% of the common shares of the Company.

In connection with the closing, principals of HydroGreen holding in excess of 80% of the Consideration Shares entered into a pooling agreement with respect to their Consideration Shares. Under the terms of the pooling agreement, 25% of the Consideration Shares were released on the closing of the Acquisition and an additional 25% will be released on each of the dates which are 6 months, 12 months and 18 months following closing of the Acquisition.

The Company has determined that this transaction represented a business combination with CubicFarm Systems Corp. identified as the acquirer. The total consideration as of January 1, 2020 has been estimated to be USD$4,248,661 (CAD$5,519,437).

The Company began consolidating the operating results, cash flows and net assets of Hydrogreen Inc. from January 1, 2020 onwards. Acquisition-related costs of $222,187 were expensed during the year ended June 30, 2020 and were presented as transaction costs.

(Expressed in Canadian dollars, unless otherwise stated.)

6. Business combinations & translation (continued)

The following table summarizes the consideration paid as part of the purchase price:

Consideration	Shares Issued / Issuable	Consideration USD	Consideration CAD
Fair value estimate of CubicFarm Systems Corp. share consideration (1)	10,000,000	$2,964,275	$3,851,186
Holdback shares (2)	1,000,000	$208,472	$270,778
Earn-out payments (3)		$1,075,914	$1,397,473
Total Consideration		**$4,248,661**	**$5,519,437**

a) Of the 10,000,00 shares, 6,429,352 are subject to a pooling agreement, whereby 25% of the shares were released as at the closing date of the acquisition, with the remaining shares being released in 25% increments after 6 months, 12 months and 18 months from the date of closing of the transaction. The share consideration is based on market value of $0.39 per share (based on TSXV price on January 1, 2020).

b) The acquisition provided for contingent consideration made up of earn-out payments which the Company recognized at the acquisition date at its fair value of USD$1,075,914. The contingent consideration is based on conditional earn-out payments based on revenue targets of HydroGreen over the next 5 years. The main assumption used in the determination of fair value is the assumed revenue growth rate of HydroGreen. The earn out payment is based on revenue exceeding certain limits with a period of five years:

Revenue, Greater than	Payment
$1,000,000	$250,000
$2,000,000	$300,000
$5,000,000	$500,000
$10,000,000	$450,000

The following table summarizes the allocation of the purchase price of the identifiable assets and liabilities based on their estimated fair values as at the date of the acquisition:

	USD	CAD
Total purchase consideration paid for HydroGreen	$4,248,661	$5,519,437
Property and Equipment	$124,250	$161,383
Right of use assets	$174,135	$226,179
Intangibles – intellectual property	$3,190,220	$4,143,681
Goodwill	$1,411,824	$1,834,755
Deferred Tax Liability	$(426,078)	$(553,419)
Lease liability	$(164,455)	$(213,606)
Restoration Provision	$(9,680)	$(12,573)
Loan payable	$(51,555)	$(66,963)
Fair value of net assets acquired	$4,248,661	$5,519,437

(Expressed in Canadian dollars, unless otherwise stated.)

6. Business combinations & translation (continued)

Holdback shares

As there is no variability in the number of shares to be issued, the Company has concluded that the holdback shares are classified as a component of equity, recognized initially at fair value with no remeasurement, and subsequent settlement to be accounted for within equity. The fair value of the holdback shares was determined by discounting the share price of the Company as at the acquisition date.

Earn-out payments

The earn-out liability represents future payments by the Company of up to $1.5 million over five years, that are contingent on the achievement of certain revenue targets. The fair value of contingent consideration liabilities is based on the estimated future financial performance of the acquired business. The estimated earnout consideration was fair valued by assessing the probabilities of achieving these milestones and discounting the revenue cash flow over the life of the payment period of five years and recognized as at the acquisition date of Hydrogreen Inc. The fair value of the contingent consideration liabilities is measured each reporting period at the estimated fair value, with the change in fair value recognized in the statement of loss and comprehensive loss. The Earn-out payments are based on unobservable inputs and considered a level 3 measurement.

The continuity for Earn-out payments is as follows:

	June 30 2020	**June 30 2019**
	$	**$**
Opening balance	-	-
Fair Value on acquisition of Hydrogreen Inc.	1,397,473	-
Fair Value change during the year	(32,717)	-
Ending balance	**1,364,756**	**-**
Comprised of:		
Current Earn-out payments	290,915	-
Non-Current Earn-out payments	1,073,841	-

The fair value of the Intangibles- intellectual property "IP" is determined using the income-based approach. The IP is responsible for all HydroGreen's revenue. Accordingly, Earnings before Interest Tax Depreciation and Amortization (EDITDA) related to the asset to be the market forecast of the company was determined and applied average tax rate to determine net after tax free cash flow. The discount rate was selected at 78% after tax. It is higher than that of the market participant weighted average cost of capital, reflecting the risk of the asset being higher than that faced by the business. Average growth rate of 50% is assumed over the next five years while calculating the growth in revenue.

Goodwill is attributable to the assembled workforce of HydroGreen, that has experience in automation, operations, research, and customer development and addition of deferred tax liability pertaining to increase in value of intangibles from recording it at fair value.

The continuity for Goodwill is as follows

	June 30 2020	June 30 2019
	$	$
Opening balance	-	-
Goodwill on acquisition of Hydrogreen Inc.	1,834,755	-
Closing balance	**1,834,755**	-

(Expressed in Canadian dollars, unless otherwise stated.)

6. Business combinations & translation (continued)

The addition of goodwill for the year ended June 30, 2020 is from the acquisition of Hydrogreen on January 1, 2020 (Note 6).

The recoverable amount of the Company's cash generating units (CGU) was based on a value in use calculation which uses cash flow projections based on financial budgets covering a five- year period with average growth rates of 50% and after tax discount rate of 78%. The Company believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

The continuity for Deferred Tax Liability is as follows:

	June 30, 2020	June 30, 2019
	$	$
Opening balance	-	-
On Acquisition of Hydrogreen	553,419	-
Deferred Tax Recovery	(235,803)	-
Foreign exchange	27,418	-
Closing balance	**345,035**	-

Since the acquisition date, Hydrogreen Inc. has contributed $161,257 to group revenue and $(1,192,363) to group loss. If the acquisition had occurred on July 1, 2019, the group revenue would have been $5,240,149 and group loss would have been $(9,922,264).

7. Cash & Cash Equivalent

	June 30, 2020	June 30, 2019
	$	**$**
Cash & Cash Equivalent	**3,604,412**	9,900,987

7.1 Restricted Cash

Restricted cash pertains to the amount in GIC for the guarantee of Letter of Credit. The guarantee expired on Nov 30, 2019 upon which it was converted to cash and cash equivalent.

8. Trade and Other Receivables

Current:	**June 30, 2020**	**June 30, 2019**
	$	**$**
Trade accounts receivable	**2,461,080**	413,433
Less: Provision for bad debt	**(457,927)**	(50,845)
Note receivable	**434,142**	205,874
Interest receivable	**-**	12,352
Less: Provision for loss on Short term receivable (Note Receivable & Interest Receivable)	**(434,142)**	(218,226)
Goods and services tax receivable	**80,896**	231,881
Other Receivable	**102,519**	375,451
	2,186,568	969,920

(Expressed in Canadian dollars, unless otherwise stated.)

8. Trade and Other Receivables (continued)

Non-Current:	**June 30, 2020**	June 30, 2019
	$	**$**
Promissory note	**205,874**	205,874
Interest receivable	**37,057**	12,352
Less: Provision for loss on Long term receivable (Note Receivable & Interest Receivable)	**(242,931)**	(218,226)
	-	-

Aging

The age of trade receivable at June 30, 2020 & Provision for bad debt is summarized as follows:

	June 30, 2020	June 30, 2019
Current or under 60 days	1,820,311	77,321
Past due 61 to 90 days	127,261	149,984
Past due more than 90 days	513,508	186,128
	2,461,080	413,433

Continuity for Provision for bad debt

	Year Ended June 30, 2020	Year Ended June 30, 2019
Opening	50,845	-
Addition during the year	407,082	50,845
Amount Collected	-	-
Closing balance	**457,927**	50,845

Other Receivable consists of reimbursement of expenses by customers & accrued receivables. The Company's trade and other receivables have been reviewed for indicators of impairment. For the year ended June 30, 2020, bad debt of $881,977 were made as expected credit losses and recorded under Other income (expense) (2019-$746,379). $255,012 of the provisions related to one customer for the year ended June 30, 2020. The amount of $191,517 was provided for allowance for bad debt related to related parties for the year ended June 30, 2020 apart from $434,142 mentioned above regarding promissory notes.

In January 2019, the Company received a short-term promissory note in the amount of $205,874 from Swiss Leaf (Note 11) to evidence the same amount of accounts receivable from associate. The note was payable in full on February 1, 2020 and bears interest rate of 1% per month and is further extended another year and is now due on February 1, 2021, and bears interest rate of 1% per month. The Company has fully provided for the promissory notes and related interest receivable considering the inability of the associate to pay off repayable debt by its due date.

(Expressed in Canadian dollars, unless otherwise stated.)

9. Inventory

	June 30, 2020	June 30, 2019
	$	$
Systems	2,661,785	140,604
Seeds and other supplies	31,565	47,720
Packaging and other	8,994	37,311
	2,702,344	**225,635**

Systems are the containers in hand and available for sale by the Company. The net realizable value of inventory as of June 30, 2020 and June 30, 2019 are higher than the cost accordingly the Company has reported the inventory at cost in the financial statement. Inventory to the value of 2,913,937 has been recognized as Cost of Sales in Income Statement.

10. Prepaid expenses

	June 30, 2020	June 30, 2019
	$	$
Deposits for Systems inventory (i)	1,498,086	1,648,288
Prepaid expenses and deposits, other	124,713	50,760
	1,622,799	**1,699,048**

(i) In general, the Company is required to pay 100% of deposit for containers. Such containers are shipped upon the purchase being paid in full.

11. Property, plant, and equipment

	Production equipment	Other Production Equipment	Leasehold Improvement	Furniture and fixtures	Other equipment	Construction In Progress	Computer equipment	Total
Cost	$	$	$	$	$	$	$	$
June 30, 2019	1,534,779	599,483	165,980	23,529	302,595	677,780	104,351	3,408,497
Additions	-	30,799	142,320	6,750	30,591	167,471	79,550	457,481
Transfer	-	-	-	-	-	(524,973)	-	(524,973)
June 30, 2020	**1,534,779**	**630,282**	**308,300**	**30,279**	**333,186**	**320,278**	**183,901**	**3,341,005**
Accumulated depreciation								
June 30, 2019	71,096	109,390	16,598	2,353	60,486	_	15,638	275,561
Depreciation	126,848	202,140	56,935	5,178	38,610	-	38,963	468,674
Transfer	-	-	-	-	-	-	-	-
June 30, 2020	**197,944**	**311,530**	**73,533**	**7,531**	**99,096**	**-**	**54,601**	**744,235**
Net book value, June 30, 2020	**1,336,835**	**318,752**	**234,767**	**22,748**	**234,090**	**320,278**	**129,300**	**2,596,770**
Net book value, June 30, 2019	**1,463,683**	**490,093**	**149,382**	**21,176**	**242,109**	**677,780**	**88,713**	**3,132,936**

There was a transfer of Construction in Progress amounting to $524,973 to inventory during the year.

(Expressed in Canadian dollars, unless otherwise stated.)

12. Investment in associates

The Company owns 50% of the common shares of Swiss Leaf Farms Ltd. Swiss Leaf is a farming operation in Alberta committed to growing fresh, clean, pesticide free produce.

The Company contributed $848,323 in total, which consisted of $120 in share capital and the balance in shareholder loan. The shareholders loan is in a form of an unsecured, non-interest-bearing promissory note, repayable in full on February 1, 2024. The value of the promissory note at June 30, 2020 was determined to be $Nil (June 30, 2019 - $269,132). The rate of 25% is the discount rate as the promissory note is related to the unsecured .Impairment Loss of $357,972 was also accounted for the promissory note.

Continuity for Promissory Note is as follows:

	June 30, 2020	June 30 2019
	$	$
Balance- Opening	269,132	-
Additions	-	279,732
Unwinding of Fair Value	78,210	-
Long term Provision	10,600	(10,600)
Less: Impairment Loss	(357,942)	-
Ending balance	-	269,132

The investment in associate has been accounted for by the equity method and as such was initially recorded at cost. The carrying amount was then adjusted to recognize the Company's share of the net income or loss in Swiss Leaf after the acquisition. Impairment Loss of $256,423 was also accounted for the investment in associates.

Continuity for Investment in Swiss Leaf is as follows:

	June 30, 2020	June 30, 2019
	$	$
Balance- Opening	546,541	-
Additions	-	568,591
Less: Unwinding of Fair Value	(78,210)	-
Less: Share of Loss in Associate	(211,908)	(22,050)
Less: Impairment Loss	(256,423)	
Balance- Closing	**-**	**546,541**

The Company owns 50% of Artex Feed Solutions, an animal feed solution company with a registered address in British Columbia. The Company contributed $100,000 in cash which consisted of $500 in share capital and the balance in investment in working capital. The company was incorporated in November 8, 2019. The investment in associate has been accounted for by the equity method and as such was initially recognized at cost. The carrying amount is adjusted to recognize the Company's share of the net income or loss in Artex Feed solutions after the acquisition. Unrecognized share of loss is $24,046 is accrued as bad debt expenses in the financial statement.

(Expressed in Canadian dollars, unless otherwise stated.)

12. Investment in associates (continued)

Continuity for Investment in Artex Feed is as follows:

	June 30, 2020	June 30, 2019
	$	$
Balance- Opening	-	-
Additions	100,000	-
Less: Share of Loss in Associate	(100,000)	-
Balance- Closing	**-**	**-**

The Company owns 20% of 1241876 B.C. Ltd which is a joint venture ("JV") with Pacific Maple Enterprise Group Ltd "PME" and Canada High-Tech Investment Group Co. Ltd "CHTI". The JV was created for the purpose of carrying out several transactions, including the purchase of 100 machines from the company. The company contributed $20 in share capital. The company was incorporated in February 24, 2020. The investment in associate has been accounted for by the equity method and as such was initially recognized at cost. The carrying amount is adjusted to recognize the Company's share of the net income or loss 1241876 B.C. Ltd after the acquisition. There is a commitment to pay $342,857 as shareholders loan as per incorporation agreement. At June 30, 2020, the investment in 1241876 B.C. Ltd has a carrying amount of $20 (June 30, 2019 - $Nil).

The loss on investment in these associates and joint venture is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
	$	$
Swiss Leaf	211,908	22,050
Artex Feed Solutions	100,000	-
1241876 B.C. Ltd	-	-
Total	**311,908**	**22,050**

Summarized Financial Info for Swiss Leaf is as follows:

	June 30, 2020	June 30, 2019
Cash & Cash equivalent	(2,982)	54,696
Current Assets	136,659	183,359
Non- Current Assets	1,934,646	2,037,542
Current Liabilities	50,695	23,817
Non- Current Liabilities	2,540,154	2,258,950
Revenue	203,663	187,703
Loss during the period	(339,213)	(59,571)

(Expressed in Canadian dollars, unless otherwise stated.)

12. Investment in associates (continued)

Summarized Financial Info for Artex Feed is as follows:

	June 30, 2020	June 30, 2019
Cash & Cash equivalent	56,210	-
Current Assets	167,577	-
Non- Current Assets	7,010	-
Current Liabilities	65,810	-
Non- Current Liabilities	355,868	-
Revenue	-	-
Loss during the period	(248,092)	-

13. Intangible assets

	Patent	Development Assets	Intellectual Property	Total
Cost	**$**	**$**	**$**	**$**
June 30, 2019	50,000	1,136,810	-	1,186,810
Additions	-	-	4,143,681	4,143,681
Disposals	-	-	-	-
June 30, 2020	**50,000**	**1,136,810**	**4,143,681**	**5,330,491**
Accumulated depreciation				
June 30, 2019	6,645	131,870	-	138,515
Amortization	3,435	93,218	4,351	101,004
Disposals	-	-	-	-
June 30, 2020	**10,080**	**225,088**	**4,351**	**239,519**
Net book value, June 30, 2020	**39,920**	**911,722**	**4,139,330**	**5,090,972**
Net book value, June 30, 2019	**43,355**	**1,004,940**	-	**1,048,295**

14. Trade and other payables

Trade and other payables consist of:

	June 30, 2020	June 30, 2019
	$	**$**
Trade Payable	978,860	769,596
WCB Payable	8,726	10,838
Tax Payable	27,322	10,002
Accrued Expenses	283,691	469,325
Ending balance	**1,298,599**	**1,259,761**

(Expressed in Canadian dollars, unless otherwise stated.)

15. Customer deposits

Customer deposits consist of funds paid by customers for systems based on the sales agreement. The customer may cancel the order prior to shipping of the equipment, subject to the following restocking fees. If the customer cancels the order before the manufacturing of the equipment has commenced, the customer shall pay a restocking fee of 10% of the purchase price. If the customer cancels the order thereafter but prior to shipping of the equipment, the customer shall pay a restocking fee of 20% of the purchase price. The order shall not be cancellable after shipping of the equipment. During the year ended June 30, 2020, a deposit from one of the customers was forfeited as per contract as it wasn't in compliance with the terms of the sales agreement. The forfeiture of $350,936 is included in Revenue.

There are no external restrictions on the use of these deposits.

	June 30, 2020	June 30, 2019
	$	**$**
Opening balance	2,280,305	883,692
Additions	2,182,070	4,129,699
Recognized into revenue	(2,399,097)	(2,733,086)
Deposit forfeited, recognized as Revenue	(350,936)	-
FX Adjustment for deposit forfeited	(2,674)	-
Ending balance	**1,709,666**	**2,280,305**

16. Warranty Provision

	June 30, 2020	June 30, 2019
	$	**$**
Opening balance	388,649	-
Additions	89,190	468,108
Fulfillment	(226,739)	(79,459)
Ending balance	**251,100**	**388,649**

17. Loan Payable

Government Relief interest free Loan contains $40,000 COVID-19 Relief loan obtained from Bank of Montreal for the Company which can be extended for five years. Another government relief interest free loan of USD$112,731 COVID-19 Relief loan was from First Premier Bank for Hydrogreen Inc which is payable in 18 installments starting Dec 6, 2020 and final payment is due on May 6, 2022. Agriculture Loan is obtained from South Dakota Value Added Finance Authority for 45% of HydroGreen's Patent cost and must be repaid in 5 years.

Current

	June 30, 2020	**June 30, 2019**
	$	**$**
Agriculture Loan	-	-
Government Relief loan	60,531	-
Ending balance	**60,531**	**-**

(Expressed in Canadian dollars, unless otherwise stated.)

17. Loan Payable (continued)

Non-Current

	June 30, 2020	June 30, 2019
	$	$
Agriculture Loan	70,258	-
Government Relief loan	134,332	-
Ending balance	**204,590**	**-**

18. Operating and General Administration expenses

	Twelve Months Ended June 30, 2020	Twelve Months Ended June 30, 2019
	$	$
Depreciation and Amortization	658,237	381,924
Consulting	1,581,590	1,531,320
Salary and Benefits	3,298,916	1,045,866
Professional Fees	1,054,620	305,884
Other expenses	1,553,894	854,206
	8,147,257	**4,119,200**

19. Other income

Other income of the Company consists of government grant received by the Company.

Government grant is related to wage subsidy received from government related to the decrease in revenue as a result of COVID-19. The subsidy is to cover part of the employee wages, retroactive to March 15, 2020. This subsidy also enables the company to re-hire workers, help prevent further job losses, and return to normal operations. There are no unfulfilled conditions and contingencies attached to the grants.

	Year Ended June 30, 2020	Year Ended June 30, 2019
	$	$
Government Grants	310,595	-
	310,595	**-**

20. Related party transactions

All transactions with related parties have occurred in the normal course of operations at the exchange amount agreed between the parties. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted. Related parties including the members of Board of Directors and Key management personnel, as well as close family members and enterprises that are controlled by these individuals and shareholders.

(Expressed in Canadian dollars, unless otherwise stated.)

20. Related party transactions (continued)

Transactions with entities with significant influence over the Company
Rent paid to Bevo Farms (Note 5)

	Year Ended June 30, 2020	Year Ended June 30, 2019
	$	$
Rent	10,000	132,784

	As at June 30, 2020	As at June 30, 2019
Accounts Receivable	13,596	490,255
Accounts Payable	11,475	152,407

On January 28, 2019 the Company completed a private placement with Nu Skin, pursuant to the investment agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest. This right is available to Nu Skin for as long as it owns not less than 8% of the Company's shares. On May 13, 2020, the Company completed a private placement with Ospraie Ag Science, LLC "Ospraie" involving 21,739,130 common shares. As at June 30, 2020, common shares transactions with Nu Skin & Ospraie Ag are as follows:

Year	Related Party	# of common shares	Average price	Gross proceeds ($)
2019	Nu Skin	10,721,416	1.00463	10,771, 056
2020	Nu Skin	158,171	0.9471	149,804
2020	Ospraie	21,739,130	0.23	4,999,986

Key management compensation

Key management of the Company are members of the board of directors and officers of the company. The company paid and/or accrued the following compensation to key management during the reporting periods:

	Year Ended June 30, 2020	Year Ended June 30, 2019
	$	$
Wages and consulting fees	1,355,264	626,410
Share-based compensation	851,982	397,456
Total	**2,207,246**	**1,023,866**

(Expressed in Canadian dollars, unless otherwise stated.)

21. Commitments

As at June 30, 2020, the Company had following contractual obligations:

	Within 1 year Ended June 30, 2020	Within 1 year Ended June 30, 2019	Within 5 years Ended June 30, 2020	Within 5 years Ended June 30, 2019
	$	$	$	$
Purchase orders, Systems	-	458,716	-	458,716

Until last year the company used to have certain committed purchase of systems that had to be made every year but there is no such commitment with the Company's new suppliers for systems so there is no separate commitment as on June 30, 2020.

22. Share Capital

	Number of common shares	Impact on share capital	Equity Reserve
	#	$	$
Balance-June 30, 2018	**60,103,186**	**2,098,134**	**213,109**
Issuance of shares (i), (ii)	13,462,691	13,621,705	-
Options exercised (iii)	2,300,000	350,833	-
Preferred shares converted to common shares (iv)	7,175,448	5,927,544	-
Shares issued for services (Note 18 - Consulting)	1,138,389	1,000,000	-
Share issuance costs	-	(644,542)	-
Share based compensation	-	-	1,584,668
Transfer from equity reserves	-	386,667	(386,667)
Balance-June 30, 2019	**84,179,714**	**22,740,341**	**1,411,110**
Issuance of shares (v), (vi), (vii)	31,897,301	9,000,976	-
Share based compensation	-	-	1,004,420
Options exercised (iii)	238,000	45,220	-
Transfer from equity reserves	-	39,046	(39,046)
Balance-June 30, 2020	**116,315,015**	**31,825,583**	**2,376,484**

(i) Financing arrangement with Nu Skin 10,721,416 common shares at a price of $1.00463 per share with share issuance cost of $635,247
(ii) Private placement of 2,741,275 common shares at a price of $1.00463 per share for aggregate proceeds of $2,753,982. The Company incurred share issuance costs of $9,295 in legal fees.
(iii) Options exercised by option holders @ $0.19 per share.
(iv) 7,175,448 preferred shares were converted to common shares.@ $ 0.8261
(v) Financing arrangement with Nu Skin 158,171 common shares @ $0.9471
(vi) Issue of 10,000,000 shares to Hydrogreen Inc. acquisition @ $0.3851
(vii) Financing arrangement with Ospraie 21,739,130 common shares @ $0.23

(Expressed in Canadian dollars, unless otherwise stated.)

23. Stock options

The Company has an ownership-based compensation plan ("Option Plan") for key management personnel and employees of the Company. The compensation plan as approved by the shareholders provides the key management personnel and employees with the option to purchase ordinary shares at an exercise price as listed below.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of the options granted is calculated in accordance with the various employee and contractor arrangements. The formula rewards key management personnel and certain contractors to the extent of the Company's and

individual/contractor achievement against qualitative and/or quantitative criteria from including some of the following financial and customer service measures:

- Improvement in share price
- Improvement in EBITDA
- Shipment of Cubic Systems
- Meeting sales targets
- Years of service with the Company.

All options are to be settled by physical delivery of shares.

Share purchase options continuity schedule:

	Number of share purchase options	Weighted average exercise price
	#	$
Balance, June 30, 2018	**20,300,766**	**0.19**
Granted	13,265,000	0.85
Exercised	(2,300,000)	0.19
Surrendered	(1,380,000)	0.83
Cancelled	(230,000)	0.83
Balance, June 30, 2019	**29,655,766**	**0.45**
Granted	3,790,000	0.63
Exercised	(238,000)	0.19
Cancelled	(2,572,000)	0.86
Balance, June 30, 2020	**30,635,766**	**0.44**

During the period ended June 30, 2020, the weighted average price of share when options were exercised was $0.75 (June 30, 2019 - $1.00463).

(Expressed in Canadian dollars, unless otherwise stated.)

23. Stock options (continued)

Share purchase options outstanding at June 30, 2020:

Grant date - Expiry date	Options Outstanding (#)	Contractual life of options - years	Exercise price $	Options Exercisable (#)
May 3, 2017-April 1 2027	14,130,096	10	0.19	5,434,624
November 1, 2017 - January 30, 2023	3,057,670	5	0.19	1,689,400
March 20, 2018 - March 30, 2023	575,000	5	0.19	506,000
July 15, 2018 – July 15, 2023	8,178,000	5	0.83	1,030,400
June 18, 2019 –September 15, 2020	300,000	1	1	300,000
June 18, 2019 – December 15, 2023	605,000	5	1	385,000
September 03, 2019- September 02, 2024	10,000	5	0.68	2,000
November 14, 2019 –November 13, 2024	100,000	5	0.51	0
November 30, 2019-December 30 2024	50,000	5	1	50,000
December 02, 2019-Decembe 01, 2024	10,000	5	0.39	3,333
June 17, 2020 -June 18 2025	3,620,000	5	0.63	1,206,667
Total share purchase options	**30,635,766**			**10,607,424**

The fair value of the share purchase options granted during the year ended June 30, 2019 was calculated using the Black-Scholes option valuation model at the grant date, with the following weighted average assumptions: share price volatility – 75% based on historical share prices of the companies with similar industry and comparable market capital for all options granted in Fiscal Year 2018-19, Risk free interest rate – 2.03% (for options granted on 15 July 2018) & 1.33% other options granted in the year, expected dividend yield - $nil, expected forfeiture rate – 20% for employee and -25% for board of directors. For options granted in FY 2019-20 share price volatility – 113% Risk free interest rate – 1.47% & 1.49%, expected dividend yield - $nil, expected forfeiture rate – 20% for employee and -25% for board of directors. The expected volatility was based on historical volatility of the company over a period of time that is commensurate with the expected life of the options.

The details of share-based compensation ("SBC") is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
	$	$
SBC for vendors (included in Operating & General Administration expenses)	25,882	822,873
SBC for employees & directors (Presented in Income Statement)	978,538	481,480
SBC Capitalized	-	280,315
Total SBC	**1,004,420**	**1,584,668**

(Expressed in Canadian dollars, unless otherwise stated.)

24. Operating Segments

IFRS 8 Operating Segments defines that an operating segment as a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b)whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c)for which discrete financial information is available.

Based on this guidance, the Company has determined it has US & Canadian operating segment.

Year ended June 30, 2020

	Canada	United States	Total
	$	$	$
Revenue	5,006,231	161,257	5,167,488
Gross Margin	2,201,197	37,310	2,238,507
Net Loss	(9,147,824)	(944,277)	(10,092,101)
Total Assets	12,916,209	8,224,398	21,140,607

Year ended June 30, 2019

	Canada	United States	Total
	$	$	$
Revenue	5,356,031	-	5,356,031
Gross Margin	1,279,198	-	1,279,198
Net Loss	(7,630,624)	-	(7,630,624)
Total Assets	18,102,494	-	18,102,494

Revenue from one customer accounted for 78% of total revenue (2019:38% of total revenue).

25. Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustment to it considering changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The company monitors capital based on the net equity.Net equity is calculated as total assets less total liabilities.

During the year, the company's strategy, which was unchanged from the prior year, was to maintain net equity at a positive amount. The net equity at June 30, 2020 and June 30, 2019 were as follows:

(Expressed in Canadian dollars, unless otherwise stated.)

25. Capital management (continued)

	June 30, 2020	June 30, 2019
	$	**$**
Total Assets	**21,140,607**	18,102,494
Total Liabilities	**(6,756,186)**	(3,928,715)
Net Equity	**14,384,421**	14,173,779

26. Financial Instruments and Other Instruments

The carrying value of the Company's Cash & Cash Equivalent, Trade and other receivables, Trade and other payables, Customer deposits approximate fair value due to their immediate and short-term nature. The fair value for earn-out payable is classified as Level 3 of the fair value hierarchy. The Company classifies its fair value measurements with the following fair value hierarchy:

Level 1 –Unadjusted quoted prices at the measurement date for identical assets or liabilities in active market

Level 2 Observable imports other than quoted prices included in Level, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data

Level 3 – Unobservable imports which are supported by little or no market activity.
There has been no change between levels during the year. The Company's risk management contracts are classified as Level 2.

The fair values of the Company's financial instruments are outlined below:

As at June 30, 2020

	FVTPL	**Amortized Cost**	**Fair Value**		
Asset (Liability)			**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalent	3,604,412	-	3,604,412	-	-
Trade and other Receivables	-	2,186,568	-	2,186,568	-
Trade and other payables	-	(1,298,598)	-	(1,298,598)	-
Customer deposits	-	(1,709,666)	-	(1,709,666)	-
Earn out Payable	(1,364,756)	-	-	-	(1,364,756)

As at June 30, 2019

	FVTPL	**Amortized Cost**	**Fair Value**		
Asset (Liability)			**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalent	9,900,987	-	9,900,987	-	-
Trade and other Receivables	-	969,920	-	969,920	-
Trade and other payables	-	(1,259,761)	-	(1,259,761)	-
Customer deposits	-	(2,280,305)	-	(2,280,305)	-

(Expressed in Canadian dollars, unless otherwise stated.)

26. Financial Instruments and Other Instruments (continued)

The Company is exposed to certain risks relating to its financial instruments. The Company does not use derivative financial instruments to manage these risk exposures. As at June 30, 2020 the primary risks were as follows:

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 and the loans and advances will be secured by the assets of the Company which mitigates the credit risk. Currently the Company pays 50% upfront upon order of container parts and balance 50% before shipping of the containers. For sales normally 10% is due on signing of contract, 40% due 30 days prior to shipping another 40% due 90 days prior to shipping and 10% due upon successful set up on site, within 30 days of completion. As at June 30, 2020, one customer accounted for 76% of the trade accounts receivable and the customer has subsequently paid it all. The Company performs regular credit assessments on its customers and associates and provides allowances for potentially uncollectible accounts receivable and associates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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

Liquidity risk is the risk that the Company will not be able to meets it financial obligations as they fall due. 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. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Management is continuing efforts to increase sales and attract additional equity and capital investors to continue R&D activities, and, from the other side, implement effective cost control measures to maintain adequate levels of working capital.

At June 30, 2020 and June 30, 2019, the Company has financial liabilities which are due on a fiscal year basis as follows:

As at June 30, 2020	**2021**	**2022**	**2023+**	**Total**
	$	**$**	**$**	**$**
Trade and other Payables	1,298,599	-	-	1,298,599
Earn-Out Payable	290,915	-	1,073,841	1,364,756
Customer Deposits	1,709,666	-	-	1,709,666
Lease Payable	170,558	170,558	1,048,526	1,389,642
Loan payable	60,531	60,531	144,059	265,121
Warranty Provision	251,100	-	-	251,100
Restoration Provision	-	-	132,267	132,267
Deferred Tax Liability	-	-	345,035	345,035
Total	**3,781,369**	**231,089**	**2,743,728**	**6,756,186**

26. Financial Instruments and Other Instruments (continued)

As at June 30, 2019	2020	2021	2022+	Total
	$	$	$	$
Trade and other Payables	1,259,761	-	-	1,259,761
Customer Deposits	2,280,305	-	-	2,280,305
Warranty Provision	388,649	-	-	388,649
Total	**3,928,715**	**-**	**-**	**3,928,715**

Foreign currency risk

The Company enters into transactions denominated in US dollars for which the related revenues, expenses, accounts receivable, and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2020, the following items are denominated in US dollars:

	June 30, 2020	June 30, 2019
	$	$
Cash	93,424	455,646
Accounts receivable	1,446,332	492,431
Accounts payable	(313,060)	(43,205)
Customer deposits	(243,883)	(585,600)
Lease Liability	(968,060)	-
Earn out Payable	(1,001,457)	-
Net exposure	**(986,704)**	**319,272**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the only foreign currency the company transacts in is USD and it is not subject to significant variance; the company has not made any special arrangements to reduce the related currency risk.Net exposure is negative as on June 30, 2020 as compared to June 30, 2019.

A 10% increase or decrease in the US dollar exchange rate would have approx. $ 99,000 impact on the Company's net loss.

(Expressed in Canadian dollars, unless otherwise stated.)

27. Deferred tax assets and liability

Tax note for the year ended June 30, 2020

A reconciliation between the effective tax rate on losses from continuing operations and the statutory tax rate is as follows:

	June 30, 2020	June 30, 2019
	$	$
Loss before income tax	(10,327,904)	(7,630,624)
Statutory tax rate	27%	27.0%
Expected income tax (recovery)	(2,788,534)	(2,060,268)
Increase (decrease) in income tax recovery resulting from:		
Non-deductible items	258,259	314,961
Share based compensation	271,194	-
Change in tax rates	-	-
Change in Deferred tax assets not recognized	1,636,153	1,745,307
Changes in estimates	322,309	-
Difference in tax rates in in foreign jurisdictions	69,686	-
Tax effect of foreign exchange and other	(4,869)	-
Total income tax expense (recovery)	$ (235,803)	$ -
Deferred income taxes (recovery)	(235,803)	-
Total income tax expense recovery	$ 235,803	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) unrecognized at June 30, 2019 and 2018 are comprised of the following:

	June 30, 2020	June 30, 2019
	$	$
Non-capital losses carryforward	1,458,677	18,941
Promissory note, associate	-	45,908
Investment in associate	-	(45,908)
Property, plant, and equipment	(170,231)	(18,941)
Intangible Assets	(948,342)	-
Lease Liability	330,172	-
Right of Use Asset	(325,241)	-
Net deferred tax asset (liability)	(345,035)	-

(Expressed in Canadian dollars, unless otherwise stated.)

27. Deferred tax assets and liability (continued)

The unrecognized deductible temporary difference at June 30, 2020 and 2019 are comprised of the following:

	June 30, 2020	June 30, 2019
	$	$
Non-capital losses	15,599,079	8,432,617
Promissory note and investment in associate	2,193,664	239,234
Share issuance and financing costs	735,658	964,103
Trade and other receivables	50,845	-
Fixed assets & Intangibles	-	103,450
Warranty provision	255,394	388,649
Other	19,960	-
Total unrecognized deductible temporary differences	$ 18,854,600	$ 10,128,053

The Company has non-capital loss carry forwards of approximately $14,219,005 (2018 - $8,432,617) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Canadian EXPIRY	2020 FS	2019 FS
	2036	-	24,402
	2037	837,745	837,745
	2038	1,343,598	1,346,858
	2039	5,237,830	6,223,107
	2040	6,799,832	-
TOTAL		14,219,005	8,432,112

The Company has net operating loss carry forwards of approximately $1,380,074 in the United States which can be applied to reduce future US taxable income which have an unlimited expiry period.

(Expressed in Canadian dollars, unless otherwise stated.)

28. Earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year adjusting for the effect of dilutive convertible preferred shares and share options. The earnings used in the calculation for all diluted earnings per share measures are the same as those for the equivalent basic earnings per shares measures, as outlined below. The weighted average numbers of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

At year end diluted earnings per share is reported at the same value as basic earnings per share due to the anti-dilutive effect as the company is in a loss position.

	June 30, 2020	June 30, 2019
	$	$
Numerator:		
Net loss for the year	(10,092,101)	(7,630,624)
Denominator:		
Weighted-average basic shares outstanding	92,326,900	72,494,921
Effect of dilutive securities (nil due to anti-dilutive nature)	-	-
Weighted-average diluted shares	92,326,900	72,494,921
Basic earnings per share	(0.11)	(0.11)
Diluted Earnings per share	(0.11)	(0.11)

29. Subsequent Events

- On July 13, 2020 Harry DeWit and related parties to the company purchased 1,659,600 shares of the company at $0.70 per share.
- On July 16, 2020 BDC capital issued a letter for execution of commercial debt financing for $5,000,000 at the initial interest rate of 10%, which will be decreased as the company meets performance targets set by BDC. The secured loan is payable by June 2025. On August 28, 2020, the Company received $2,458,204 from BDC as 1st tranche payment.
- On August 7,2020 Ospraie purchased another 7,500,000 common shares of the Company pursuant to private share purchase arrangement at $0.70 per share following which it now owns approximately 25.4% of issued and outstanding common shares of the company on non- diluted basis.

cubicfarms

TECHNOLOGY TO FEED A CHANGING WORLD

Management's Discussion and Analysis

For the year Ended June 30, 2020 and 2019

Dated: October 28, 2020

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of CubicFarm Systems Corp., (the "Company" or "CubicFarms") constitutes management's review of the factors affecting the Company's financial and operating performance as at and for the three months and twelve months ended June 30, 2020. This MD&A is prepared by management and should be read in conjunction with the interim condensed consolidated financial statements for the year ended June 30, 2020 as well as the consolidated financial statement for the year end June 30, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. All dollar amounts herein are expressed in Canadian dollars unless stated otherwise.

The effective date of this MD&A is on October 28, 2020.

In this discussion, unless otherwise indicated, a reference to the business and operations of the Company includes the business and operations of CubicFarm Systems Corp. and its wholly owned subsidiaries: CubicFarm Manufacturing Corp., CubicFarm Innovation Corp., CubicFarm Services Corp., CubicFarm Produce (Canada) Corp., CubicFarm Capital Corp. CubicFarm Systems U.S. Corp. and Hydrogreen, Inc.

Additional information, including news releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available under the Company's profile at www.sedar.com

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. These statements are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "plans", "forecasts", "budgets", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. Such forward-looking statements include, but are not limited to statements related to future sales of machines (in particular under the heading "Forward-Looking Guidance"), statements regarding the Company's ability to close sales in the current sales pipeline, continue generating revenues, scale its operations, available funds and use and principal purpose of available funds, and its ability to raise sufficient financing, if and when necessary, to continue its operations. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors including, but not limited to, financial, operational, environmental and political risks, general equity and market conditions. The outcome of these factors may cause the actual results and performance of the Company to be materially different from any plans or results expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, however, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward looking information will not be updated unless required by law or securities regulations. For a comprehensive list of the risks and uncertainties applicable to the Company, refer to Item 21 of the Company's application for the listing of its common shares on the TSX Venture Exchange ("TSXV") available at www.sedar.com.

About the Company and Nature of Business

The Company was incorporated under the Business Corporations Act of British Columbia on October 8, 2015. The Company is domiciled in Canada and its principal address is 19951-80A Avenue, Unit 353, Langley, BC, V2Y 0E2.

The Company listed its common shares on the TSXV as a Tier 1 issuer in July 2019. The Company's common shares trade on the TSXV in Canada under the symbol "CUB".

The Company is an agriculture technology and vertical farming company and through its wholly owned subsidiaries, develops, employs and sells modular growing systems with patented and patent-pending technologies (the "System") to provide high-quality, predictable crop yields for farms around the world. The Company currently designs and manufactures Systems that produce food for both human and livestock consumption. In addition, the

Company leverages its technology by operating its own R&D facility in Pitt Meadows, British Columbia, and HydroGreen manufacturing operations in Renner, South Dakota.

CubicFarms' System addresses the two most difficult challenges in the vertical farming industry - high electricity and labour costs - using unique undulating path technology, and furthermore addresses agricultural and livestock space constraints due to the high cost and limited availability of land near urban centers globally.

The products designed and manufactured by the Company are low-cost solutions that enable farmers to grow high value crops, year-round, in close proximity to consumers, even in areas with limited access to water and arable land. The Company's products use less water, labour and land than traditional farming methods while reducing the overall impacts of greenhouse gas ("GHG") production in agriculture. The Company believes that it's manufactured products grow better quality crops with higher yields at lower cost, delivering better profit margins and profits for farmers. Through proprietary technologies and its time-tested industry expertise, the Company helps farmers develop a sustainable local competitive advantage while providing consumers with fresh locally grown vegetables, livestock feed and other products.

Highlights Subsequent to the Year Ended June 30, 2020

On July 10, 2020, the Company announced that its automated, controlled-environment system had been selected by a new customer to grow commercial quantities of leafy greens for retail markets in the Okanagan region in British Columbia, Canada. The Company has finalized an agreement for the sale of 16 CubicFarms machines, and received a deposit of CAD$323,000.

On July 15, 2020, the Company announced a non-brokered private placement with Harry DeWit and several company insiders, involving the issuance of 1,659,600 common shares of CubicFarms at a price of C$0.70 per share for gross proceeds of up to C$1,161,720 (the "Offering"). Insiders participating in the Offering include Jeff Booth, Chairman; Rodrigo Santana, Chief Operating Officer; and Tim Fernback, Chief Financial Officer. Harry DeWit is CEO and President of Blue Sky Farms, a Texas and Ohio-based dairy and farming business producing 1.2 million pounds of quality milk per day. He has been lauded as a forward-thinking dairy entrepreneur, having been awarded the International Dairy Foods Association's "Innovative Dairy Farmer of the Year", which recognizes the valuable contributions of progressive dairy producers. His soil conservation efforts were recognized by the USDA's National Resources Conservation Service.

On July 23, 2020, the Company announced that it has entered into a Letter of Offer of financing with BDC Capital Inc. ("BDC"), a wholly owned subsidiary of Business Development Bank of Canada. BDC's Cleantech Practice has agreed to provide CubicFarms with growth capital in the amount of C$5,000,000 through a commercial debt financing (the "Loan"). The Loan will bear interest at an annual fixed rate of 10%, which will be decreased as the Company meets performance targets set by BDC. The Loan is to be repaid in June 2025.

On August 4, 2020, the Company announced the appointment of Sandy Gerber as Head of Marketing. As Head of Marketing for CubicFarms, Ms. Gerber is responsible for creating and launching a global marketing strategy that successfully positions CubicFarms in the market and drives lead generations and sales.

Ms. Gerber, an award-winning marketer and communications strategist, has revitalized marketing and communications programs for companies of all sizes for over 20 years, including some of Canada's most beloved brands such as Molson Canada, Appleton Estate, BC Lottery Corp, the University of British Columbia, and St. John Ambulance. Her marketing and communications expertise include differentiation strategy, brand development, customer experience, business development and digital content marketing.

Ms. Gerber previously held executive and senior marketing leadership positions in a wide range of industries including advertising, consumer goods, heavy equipment, and non-profit.

Her innovative marketing strategies include Molson Canada's online community, "iam.ca"; Canada's first e-gaming platform, "PlayNow"; the revitalization of St. John Ambulance's iconic 900-year-old brand; and Wesgroup Equipment's successful "G.R.I.T." customer service program.

On August 7, 2020, the Company announced that Ospraie Ag Science, LLC ("Ospraie") purchased 7,500,000 common shares of the Company pursuant to private share purchase agreements at a purchase price of C$0.70 per common share for total consideration of C$5,250,000 (the "Transaction") from several existing Company shareholders. Before the Transaction, Ospraie held 22,000,630 common shares of CubicFarms, representing approximately 18.9% of the current issued and outstanding common shares on a non-diluted basis. Following the Transaction, Ospraie owns and exercises control and direction over an aggregate of 29,500,630 common shares of CubicFarms, representing approximately 25.4% of the issued and outstanding common shares of CubicFarms on a non-diluted basis.

On August 31, 2020, the Company announced the sale of three Control Rooms to Terramera Inc., a global agtech leader transforming how food is grown and the economics of agriculture. Terramera Inc. is a British Columbia-based company on a mission to reduce global synthetic pesticide use 80 percent by 2030 with its revolutionary Actigate™ technology platform and wasnamed a 2020 World-Changing Idea by Fast Company.

On September 2, 2020, the Company announced that a six-section HydroGreen automated system for growing nutritious livestock feed, has left its manufacturing facility in South Dakota, USA, and was shipped to GrassGo Co., Ltd. ("GrassGo") in Tokyo, Japan. In May, GrassGo purchased the system and became an authorized HydroGreen dealer/distributor for the Japan market. GrassGo will use this system to demonstrate its unique, patent-pending technology to potential customers eager to have reliable, consistent and high-quality supply of feed for their herds.

The six-section machine and its accompanying seed handling, feed handling and water systems is planned for installation in late October or during the month of November, depending on customs clearance.

On September 9, 2020, the Company announced that it has signed a global reseller agreement with Hydrogreen Global, LLC ("HGG"). HGG has the non-exclusive right to globally market and sell CubicFarms' HydroGreen fully-automated hydroponic growing systems that produce live, green, nutritious feed for livestock.

- HGG will help drive the promotion, marketing and sales of HydroGreen systems. It is licensed to use the "HydroGreen" name and trademark in these authorized reseller activities to maintain brand consistency in the marketplace.
- HGG will develop a global dealer network to increase customer uptake worldwide, by leveraging its access to an industry dealer network in over 40 countries.
- HGG will manage customer experience and all aspects of the sales cycle by providing purchasers of the systems with installation, training and troubleshooting services, and managing warranty claims.
- HGG is entitled to purchase HydroGreen machines, parts and consumables at wholesale costs, for resale.
- HGG will be responsible for the payment of dealer sales commissions.

HGG is owned by Total Dairy Solutions – a Colorado, US-based company developing and commercializing integrated technologies and supply chain management for the meat and dairy industries, so that the resultant food products better satisfy consumer requirements of nutrition, health, traceability, animal welfare, and environmental protection. Total Dairy Solutions provides complete and robust plans for large-scale dairy projects worldwide, that include customized solutions for equipment, cow comfort and feeding, and farm management.

Kevin Fiske has been appointed the Chief Executive Officer of HGG. Mr. Fiske currently serves as President of Fiske Electric, an established electrical contractor specializing in large commercial and agricultural projects for over 35 years. Fiske Electric has completed the design and build of multiple dairies ranging in size from 700 to 6,000 cows. He is also Partner at Total Dairy Solutions.

This global reseller agreement will replace CubicFarms' relationship with Artex Feed Solutions, first announced in the Company's press release dated December 11, 2019. Artex Feed Solutions is in the process of being dissolved, and its President John de Jonge – also a board member of CubicFarms – continues to oversee business strategy at CubicFarms' livestock feed division HydroGreen Inc. (renamed from CubicFeed Systems as part of a strategic brand realignment).

On September 17, 2020, the Company announced that it has appointed Mr. Chris Papouras to the Board of Directors, effective immediately.

Mr. Papouras currently serves as strategic advisor at leading ag-tech investor Ospraie Ag Science, LLC ("Ospraie") that holds an approximate 25.4% interest in the Company. He has a special focus on manufacturing best practices in the controlled-environment agriculture (CEA) space. Prior to joining Ospraie, he was President of Nabors Drilling Solutions, a technology provider in oil and gas, and President of Canrig Drilling Technology, a Nabors subsidiary. At Nabors, he was involved in automating the oil-well construction process with the drilling rig as the platform for automation. Mr. Papouras holds several patents in drilling technology and automation.

He currently serves on the boards of SEACOR Holdings – a publicly traded company providing transportation and logistics services to support a wide range of business sectors, and Freight Farms – an ag-tech company manufacturing and selling containerized hydroponic farming systems. He is a member of the Audit and Compensation board committees of SEACOR. Mr. Papouras serves on the Advisory Board of Avangard Innovative, a premier waste and recycling optimization company. He previously served on multiple boards of technology companies in the oil and gas industry.

He holds a Bachelor's degree in Chemical Engineering from Princeton University, and Master's degrees in Management and Chemical Engineering from the Massachusetts Institute of Technology.

On October 5, 2020, the Company announced the sale of its automated, controlled-environment system to Agragene Inc. ("Agragene"), a San Diego, US-based ag-tech company developing novel biological pest protection for crops, utilizing live sterile male insects as a form of insect pest control. This sale marks a new vertical for CubicFarms' fresh produce system, which will now be used by Agragene to grow insects predictably in an indoor, controlled environment.

The Company finalized an agreement for the sale of one CubicFarms growing machine, and received a deposit from Agragene of USD$72K. The machine is expected to be installed in San Diego by the end of the year. Agragene plans to trial the breeding of its proprietary insect lines to produce only sterile male crop pests inside the machine. The sterile males are then released into the field where they effectively and safely control the wild pest population. Upon satisfactory completion of the trial, Agragene plans to scale up its insect factory with multiple CubicFarms machines.

On October 8, 2020, the Company announced the appointment of Dan Schmidt as Senior Vice President of Global Sales, effective immediately.

In Mr. Schmidt's new role, he is responsible for growing and leading the Company's global sales strategy as it enters its next phase of rapid growth. He has spent more than 20 years forging a successful, proven track record for building commercial brands with some of the largest heavy agricultural equipment manufacturers in the world.

Mr. Schmidt has been responsible for establishing and growing independent dealer-partner channel relationships for multi-national organizations, including John Deere, JCB and Stanley Infrastructure, while mentoring, developing and advancing the teams that work with him.

Prior to joining CubicFarms, Mr. Schmidt served as Vice President of Sales at Stanley Infrastructure, a division of Stanley Black & Decker – a manufacturer of hydraulic attachment tools – and led the integration of five independent sales organizations into one division comprising 180 sales staff and approximately US$500 million in annual revenue.

As JCB Americas' former Vice President of North American Sales, Mr. Schmidt was responsible for recruiting and leading 120 JCB Americas dealers and sales staff to achieve US$650 million in annual revenue. He also held various senior roles within JCB, including Vice President of North American Agriculture – where he led the development of an independent agriculture dealer network of 120 dealers for revenue diversification, as well as Sales Director for Eastern Europe – where he built brand awareness for JCB's heavy equipment line in 15 Eastern European countries.

At John Deere, a world-leading manufacturer synonymous with the farm tractor, he served in manager-level sales and marketing roles, implementing the southern U.S. division's annual marketing and sales plans through multiple distribution outlets, combination dealerships, independent dealerships and mass channel partners. He also led a cross-divisional channel sales team that generated over US$500 million in annual consumer revenue.

Mr. Schmidt holds a Bachelor of Business Administration in Political Science and Business Communications from the University of Kansas, and a Masters of Business Administration from the University of Georgia's Terry School of Business.

Corporate and Operational Highlights in Fiscal 2020

On July 11, 2019, the Company announced that it signed an agreement for a large scale commercial CubicFarms System in the Calgary, Alberta area and received $412,764 in June 2019 from the customer as a deposit. The agreement and deposit cover the Calgary region where this customer will be the exclusive CubicFarms licensee. The plan at this Calgary site, includes 20 CubicFarms patented growing machines, 2 patented germination machines, along with CubicFarms' proprietary supporting irrigation system. The total sales agreement is valued at approximately USD$3.2 million and the Company expects to complete the the final installation of the System by the end of October 2020. The installation originally planned in March 2020 was rescheduled due to the COVID-19 pandemic.

On September 24, 2019, the Company appointed Rodrigo Santana as its interim Chief Financial Officer (CFO). Supported by the rest of the CubicFarms finance team, Mr. Santana will continue his role as Chief Operating Officer (COO). Mr. Santana is very experienced in the dual role of COO and CFO where he held both positions in his previous employment at Sacré-Davey Engineering.

On October 8, 2019, the Company announced that it finalized an agreement for the sale of a large-scale CubicFarms System in Montana, USA and received the initial deposit of $332,356 in October 2019 from the customer. This was the Company's second large-scale farm equipment System sale in the US. The plan at this Montana site includes 18 CubicFarms patented growing machines, 2 patented germination machines, along with CubicFarms' proprietary supporting irrigation system. The total sales agreement is approximately USD$3 million, representing the second-largest sale agreement to date. CubicFarms expects to complete the installation of the System by the end of November 2020. The installation originally planned in March 2020 was rescheduled due to the COVID-19 pandemic.

On October 28, 2019, the Company announced that ZenCube, its vertical-farming machine for growing hemp and cannabis, is fully operational at a showcase and R&D facility in Langley, Canada.

On November 6, 2019, the Company announced that it has entered into a global Reseller Agreement (the "Reseller Agreement") with Groviv (now Grōv Technologies), a leader in the science and technology of controlled-environment agriculture ("CEA"). Groviv, a division of Nu Skin Enterprises – a minority investor in CubicFarms – will augment global sales for CubicFarms under the non-exclusive reseller agreement. Joe Huston, its Vice President of Business Development has been appointed to direct this effort. Mr. Huston has extensive retail sales and distribution experience, working with brands such as Walmart, Kroger and Costco.

On December 11, 2019, the Company announced that it has entered into a binding purchase agreement effective December 10, 2019 to acquire HydroGreen, Inc. ("HydroGreen"), an arm's-length private company headquartered in South Dakota (the "Acquisition"). HydroGreen is a manufacturer of fully-automated hydroponic growing systems that produce live, green livestock feed, prioritizing animal health and performance. HydroGreen's unique process sprouts grains, such as barley and wheat, in a controlled environment with minimal use of land, labour and water. Its System performs all growing functions including seeding, watering, lighting, harvesting, and re-seeding – all with the push of a button – to deliver livestock feed without the typical investment in fertilizer, chemicals, fuel, field equipment and transportation.

On December 23, 2019, the Company announced the appointment of Jeff Booth as a member of its Board of Directors. Mr. Booth has more than 25 years of experience as an entrepreneur, responsible for growing innovative online marketplace BuildDirect.com to over $120 million in annual revenues.

On January 3, 2020, the Company announced that, further to its press release dated December 11, 2019, it has completed the acquisition of HydroGreen.

On January 8, 2020, the Company announced the appointment of Dino Accili as its Chief Revenue Officer. As Chief Revenue Officer at CubicFarms, Mr. Accili is responsible for overseeing all revenue generation aspects of the business. He has an extensive background in the hydroponic and horticulture supply industries, along with senior executive-level experience in manufacturing and distribution in various industrial environments. He has spent more than 25 years growing both small and large companies by contributing to a positive structure and encouraging sales teams across North America, Europe and Latin America to strive for ultimate customer satisfaction.

On January 13, 2020, the Company announced the appointment of Sana Talebi as Lead R&D (Produce). Mr. Talebi will lead the Company's produce R&D program to research new crops that will perform well in CubicFarms' System, and optimize current growing for continued incremental performance improvements.

On January 22, 2020, the Company announced that at the Annual General Meeting of shareholders of the Company held in Vancouver, British Columbia, David Dinesen, Jeffrey D. Booth, John de Jonge, John Hoekstra, Leo Benne, Michael McCarthy, Christian Ericson and Daniel Burns were re-elected directors of the Company. The shareholders also reappointed MNP LLP as its auditors for the ensuing year and authorized directors to fix their remuneration.

On January 23, 2020, the Company announced the appointment of Jeff Booth as Chairman of its Board of Directors.

On January 30, 2020, the Company announced that it has increased its shareholding in Artex Feed Solutions from 25% to 50%. Artex Feed Solutions is a joint venture company which is now 50% owned by CubicFarms and 50% owned by Artex Dairy Services Ltd., a leader in agricultural supplies for over 40 years. Artex Feed Solutions is treated as associate in the financial statements for the interim three months ended June 30, 2020.

On February 4, 2020, the Company received USD$1.3 million as 40% deposit from the client of the Calgary project mentioned above.

On March 2, 2020, the Company announced that it has finalized an agreement for the sale of 100 CubicFarms growing machines. The Company received a deposit in the amount of $1.2 million from a commercial grower and agricultural product wholesaler based in British Columbia, Canada. The customer had previously provided a deposit for a 12-machine system, and now has applied its deposit toward this revised order for 100 machines. The 100-machine system represents a total of C$16.5 million in sales revenues to the Company, and is expected to be installed in two phases in Surrey, BC. The first phase, consisting of the installation of 26 growing machines and an irrigation system, is planned for installation this year, with the remaining machines planned for installation by mid 2022.

On March 4, 2020, the Company announced that it has filed a preliminary short form prospectus (the "Prospectus") with respect to an offering of common shares (the "Offered Shares") in the amount of up to approximately $8,000,000 (the "Offering"). The Offering is being conducted on a 'best efforts' agency basis under the terms of an agency agreement to be entered into between the Company and Raymond James Ltd. as sole bookrunner and co-lead agent with Canaccord Genuity Corp. (the "Lead Agents") and Beacon Securities Limited. The Offering will be conducted in each of the Provinces of Canada. The price per Offered Share will be determined in the context of the market before filing the final short form prospectus.

On March 5, 2020, the Company announced that Tim Fernback has joined the Company as its interim Chief Financial Officer ("CFO"), effective immediately. Mr. Fernback replaces outgoing interim CFO Rodrigo Santana as he resumes his role as Chief Operating Officer ("COO"). Mr. Fernback has over 25 years of finance experience as a director and officer of public and private technology, natural resources, health and biosciences companies. In the past, he has held senior executive positions within the investment banking and venture capital industries, as well as progressively senior executive officer positions within growing businesses, including ModoHR Technologies, Upstream Biosciences and Ronin8 Technologies.

On March 9, 2020, the Company announced that it has received a sales order and initial deposit for the sale of 24 HydroGreen nutritious livestock feed growing machines to an organic-certified dairy farm in Western Canada. The Company expects to enter into its standard equipment purchase and sale agreement with the customer later in the calendar year, after the finalization of the details of the agreement.

On March 13, 2020, the Company announced that its offering of common shares (the "Offered Shares") in the amount of up to approximately $8,000,000 (the "Offering") with respect to its preliminary short form prospectus (the "Prospectus") filed on March 4, 2020, was deferred, due to a combination of market conditions for a brokered placement, additional interest from potential strategic investors and the Company being sufficiently capitalized as a result of the receipt of deposits from fresh produce and nutritious livestock feed machine sales previously disclosed.

On March 17, 2020, the Company announced that Chris Ericson has resigned as a member of the Company's Board of Directors. Mr. Ericson was a board nominee of strategic shareholder Nu Skin Enterprises Inc. ("Nu Skin"). Nu Skin continues to be a supportive shareholder of CubicFarms, however, it has chosen not to appoint another nominee at this time, given its operations in similar markets.

On April 30, 2020, the Company announced the appointments of Leo Benne as its Chief Product Officer, and Jo-Ann Ostermann as Chief Customer Officer. Mr. Benne currently serves as a member of the Company's Board of Directors and is credited for developing CubicFarms' technology for growing fresh produce along with his father Jack Benne, who is founder of Bevo Farms - one of North America's largest plant propagation businesses. Mr. Benne has been intimately involved in the development of the CubicFarms system into a proven, automated solution for growing commercial quantities of leafy greens and herbs, while being an active board member and contributing to corporate strategy. Ms. Ostermann joined CubicFarms in 2016 as Vice President and one of its earliest employees and has helped build the company from the ground up alongside Mr. Benne and CEO Dave Dinesen, with oversight across multiple departments including farming operations, R&D and machine installation.

On May 1, 2020, the Company announced the private placement with strategic investor Ospraie Ag Science. The non-brokered private placement with Ospraie Ag Science ("Ospraie") involves the issuance of 21,739,130 common shares of CubicFarms at a price of C$0.23 per share for gross proceeds of up to C$5.0 million (the "Offering"). Without giving effect to the issuance of common shares, if any, pursuant to the exercise of pre-emptive rights held by another strategic investor of the Company, Ospraie will hold an 18.7% interest in the Company upon completion of the Offering.

The net proceeds from the Offering are expected to be used for research and development to expand machine capabilities and crop varieties and working capital.

The Offering is scheduled to close on or about May 15, 2020 and is subject to certain conditions, including, but not limited to, the execution of definitive documentation and receipt of all necessary approvals, including the approval of the TSX Venture Exchange. All securities issued pursuant to the Offering will be subject to a hold period under applicable securities laws, which will expire four months plus one day from the closing date of the Offering.

On May 5, 2020, the Company announced that it has received a signed sales order and full payment of a six-section HydroGreen system from Tokyo, Japan-based GrassGo Co., Ltd. ("GrassGo"). GrassGo will sell livestock feed produced by CubicFarms' HydroGreen system and is proposed to also act as an authorized dealer/distributor of

HydroGreen systems for the Japan market. This first machine will be available for demonstration purposes as well to the Japanese market.

On May 15, 2020, the Company announced that further to its press release dated May 1, 2020, the Company has completed the non-brokered private placement with Ospraie, involving the issuance of 21,739,130 common shares of CubicFarms at a price of C$0.23 per share for gross proceeds of approximately C$5.0 million. Prior to the Offering, Ospraie held 99,500 common shares of the Company, representing approximately 0.1% of the then current issued and outstanding common shares on a non-diluted basis. After giving effect to the Offering, Ospraie holds 21,838,630 common shares, representing approximately 18.8% of the issued and outstanding common shares on a non-diluted basis.

On May 19, 2020, the Company announced the appointments of Tim Fernback as its permanent Chief Financial Officer, and Jacqui Noftall as Head of People.

On June 18, 2020, the Company announced that its Board of Directors has approved the grant of 3,670,000 stock options pursuant to the Company's Stock Option Plan, subject to regulatory approval. The stock options are exercisable at a price of $0.63 per share, with one third vesting immediately and the remainder vesting in equal tranches over the next two years. The options expire five years after having fully vested.

Financial Results

Three months ended June 30, 2020 and 2019, and twelve months ended June 30, 2020 and 2019.

Gross revenue

Three months ended	Q4 2020	$4,063,022	Q4 2019	$ 24,110	**Change: $4,038,912**
Twelve months ended	Q4 2020	$5,167,488	Q4 2019	$5,356,031	**Change: $(188,543)**

The Company is still in its early stage of operations and has resulted in fluctuating sales on a quarter by quarter basis. In addition, the Company has recently acquired Hydrogreen Inc. and is the process of expanding its product portfolio and integrating its systems, operations and sales staff into the Company which has had an impact on revenues from this subsidiary. As such, the Company expects financial results to fluctuate from period to period in the near term. The Company has two main sources of revenue - revenue from sales of machines and revenue from sales of parts, seeds, nutrients, fertilizers, and substrates, as well as, monthly customer support subscriptions. As the Company matures, management expects to receive a larger percentage of overall sales as recurring revenues.

Operating and general administrative expenses

Three months ended	Q4 2020	$2,272,330	Q4 2019	$2,393,746	**Change: $ (121,416)**
Twelve months ended	Q4 2020	$8,147,257	Q4 2019	$4,119,200	**Change: $ 4,028,057**

Total operating and general administrative expenses increased during both the three month and twelve months periods ended June 30, 2020, compared to the same periods in the previous fiscal year. This is in line with the Company's continued expansion of its business and staffing additions. Within the Company's operating and general administrative expenses and for three months period ended June 30, 2020, salaries and consulting fees totaled $1,257,722 which was $337,221 lower than the corresponding three months fiscal period in 2019 (2019 - $1,594,943). For the twelve months period ended June 30, 2020, salaries and consulting fees were $4,880,506, which was $2,303,320 greater than the corresponding twelve months fiscal period in 2019 (2019 - $2,577,186).

Gross margin

Three months ended	Q4 2020	40%	Q4 2019	145%	**Change: (105)%**
Twelve months ended	Q4 2020	43%	Q4 2019	24%	**Change: 19%**

Overall Gross Margin % for the twelve-month period ended June 30, 2020 was 39% which is significantly higher compared to the prior year ended June 30, 2019, due to stabilizing equipment margins through improvements in the manufacturing process and a higher volume of high margin consumable sales.

Research & Development

Three months ended	Q4 2020	$ 342,527	Q4 2019	$ 313,867	**Change: $ 28,660**
Twelve months ended	Q4 2020	$1,328,218	Q4 2019	$2,458,234	**Change: $1,130,016**

The majority of research and development expenses that were allocated in the twelve-month fiscal period ending June 30, 2020 were for the continued automation of the fresh produce growing machines, and research and development associated with growing new crops in our equipment. The majority of these costs include salaries, materials, parts and consumables related to research activities. A one-time reclassification of research and development expenditures in the final quarter of the fiscal year ending June 30, 2019 resulted in the research and development expenses to appear artificially high in that same period.

Net loss and comprehensive loss

Three months ended	Q4 2020	$ (2,384,053)	Q4 2019	$(3,153,026)	**Change: $ 768,973**
Twelve months ended	Q4 2020	$(10,110,752)	Q4 2019	$(7,630,624)	**Change: $(2,480,128)**

The Company's net loss and comprehensive loss in the fiscal periods ending June 30, 2020, reflect the Company's continued expansion of its business and staffing additions that management believes are necessary to both develop and sell its novel manufactured products within the global controlled-environment agricultural market.

Consolidated annual income statement for the past three fiscal years 2020, 2019 and 2018:

	2020 $	2019 $	2018 $
Sales	**5,167,488**	**5,356,031**	-
Cost of Sales	2,928,981	4,076,833	
Gross Margin	**2,238,507**	**1,279,198**	-
OPEX, SG & A	11,692,605	7,654,233	1,367,761
Loss before other income (expense)	**(9,454,098)**	**(6,375,035)**	**(1,367,761)**
Total Other income (expense)	(873,806)	(1,255,589)	(27,135)
Total loss and comprehensive loss for the period	**(10,110,752)**	**(7,630,624)**	**(1,394,896)**
Earnings (loss) per share			
Basic and Diluted	(0.11)	(0.11)	(0.02)

Selected Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

Period	Revenues	Income (loss) for the period $	Basic and fully diluted income (loss) per share $
4th Quarter 2020	4,063,022	(2,384,053)	(0.02)
3rd Quarter 2020	192,689	(3,459,496)	(0.04)
2nd Quarter 2020	671,076	(1,989,433)	(0.02)
1st Quarter 2020	240,701	(2,277,770)	(0.03)
4th Quarter 2019	24,110	(3,153,026)	(0.04)
3rd Quarter 2019	1,461,226	(1,669,591)	(0.02)
2nd Quarter 2019	3,870,695	(2,339,301)	(0.04)
1st Quarter 2019	Nil	(468,706)	(0.01)

Selected Annual Information

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended June 30, 2020, 2019 and 2018.

	2020 $	2019 $	2018 $
Revenues	5,167,488	5,356,031	-
Losses for the year	(10,110,752)	(7,630,624)	(1,394,896)
Loss per share (basic and diluted)	(0.11)	(0.11)	(0.02)
Total assets	21,140,607	18,102,494	4,627,868
Total liabilities	6,756,186	3,928,715	1,138,869
Dividends declared	Nil	Nil	Nil

Liquidity and Capital Resources

The Company's source of funding to date has been from equity financings and the sales of both machinery and produce.

As of June 30, 2020, the Company had cash and cash equivalents of $3,604,412 ($9,900,987 as of June 30, 2019) and working capital of $6,334,754 ($9,176,875 as at June 30, 2019). Current liabilities that are to be settled in cash as at June 30, 2020 include trade and other payables, customer deposits and warranty provision.

During the period ended June 30, 2020, the Company used $11,207,903 cash for operating activities and $(457,393) in cash for investing activities. The Company received an aggregate net cash of $5,368,721 from its financing activities.

Management expects that the Company's existing cash and cash equivalents balance will be adequate to meet the Company's expansion of facilities and operational activities for the next twelve months. However, the Company may seek additional financings through issuance of equity, convertible-equity or debt to support further expansion and research and development activities.

Forward-Looking Guidance

CubicFarms Systems Sales

The Company has entered into sales discussions with a number of companies in Canada and internationally and has developed significant sales leads for the purchase of additional machines. It also expects to expand sales with at least one current customer in the coming year. The Company's sales pipeline currently includes individuals and companies in Canada, Ireland, the United States, Africa, Puerto Rico, Europe, the Middle East, and China. There can be no assurances that any of these pipeline opportunities will lead to sales of machinery or identification of partner farms.

Sales and deposits

The Company does not book revenue until customers have accepted either ownership or the Company has delivered and fully installed CubicFarms machines at customer sites and subsequently completing all related invoicing. There are factors beyond the Company's control, such as the customer's ability to secure permitting, complete site preparations, as well as weather and transportation delays. As such, the Company expects it would need to complete an additional year of sales and installation activities in order to result in smoother and more predictable sales cycles.

The Company currently has a total of 138 machines under contract and deposit. The amount of System sales orders that are pending manufacturing and installation is approximately USD $18 million. Revenue from machines is dependent on the transfer of legal title upon the completion of the sales and delivery process – consisting of the signing of the purchase agreement, deposit payments, manufacture of machines, customer's site preparation, shipping and installation of the System. Unforeseen delays attributable to the COVID-19 pandemic and the global recovery efforts employed by both individual companies and countries may delay the Company's completion of the machine sales and delivery process. Based on the Company's operating plan identified within the MD&A released at the end of the third fiscal quarter of 2020, the Company's fourth quarter results are in alignment with management's expectations.

The Company considers a sales order to have taken place when a binding equipment purchase agreement is signed and a first deposit has been provided. This forward-looking order volume estimate is based on the Company's current sales pipeline and internal estimates of machine demand and is subject to several risks and uncertainties. See "Forward-Looking Statements".

FRESH DIVISION

CubicFarms growing machines can grow a wide variety of fresh produce. Each new crop that is optimized presents an opportunity for a new sales market. To facilitate research and development for new markets, the Company is ramping up cultivation and research and development activities at the Pitt Meadows facility. This will allow the Company to actively pursue new markets business lines in the nutraceutical and cosmeceutical space, in addition to its current markets for vegetables, herbs, microgreen and germinating plants.

Additionally, growing styles that accommodate different methods of automation and harvesting are also being tested.

One specific area of focus at present is fine tuning the optimal conditions for germination, cloning, growing high-gross margin crops, and additionally optimizing for automated harvesting and processing to then transform these same crops into high quality ingredients for nutraceuticals and cosmeceuticals through juicing, powdering, and/or extraction. In the next twelve months, the Company expects to develop standard operating procedures for growing and transforming into ingredients for at least five high gross margin crops and expects to secure supply contracts for the products with at least one strategic customer.

FEED DIVISION

Through the Company's acquisition of HydroGreen, it now has a fully automated hydroponic growing system that produces live, green livestock feed. HydroGreen's unique process sprouts grains, such as barley and wheat, in a controlled environment with minimal use of land, labor and water.

Acquisition of HydroGreen

In January 2020, CubicFarms completed the acquisition of HydroGreen, Inc. ("HydroGreen"), a USA-based private company headquartered in South Dakota. The Acquisition was completed by way of a reverse triangular merger of CubicFeed Systems U.S. Corp., a wholly owned subsidiary of the Company, and HydroGreen, resulting in HydroGreen being renamed "of CubicFeed Systems U.S. Corp" and becoming an indirect and wholly owned subsidiary of the Company. The new CubicFarms subsidiary will operate the existing business of HydroGreen moving forward. Subsequently, the Company renamed this subsidiary Hydrogreen Inc. on June 4, 2020 to align both the company name and product name more closely.

Under the terms of the merger agreement, holders of HydroGreen shares ("HydroGreen Shareholders") received 10,000,000 common shares of CubicFarms on the closing date, with a further approximate amount of 1,000,000 shares to be issued on the six-month anniversary of closing, subject to any set-off relating to indemnification (the "Consideration Shares"). The Acquisition did not result in any of the shareholders of HydroGreen holding more than 5% of the common shares of the Company. On September 1, 2020, the Company issued 926,845 common shares in satisfaction of its remaining obligation to the HydroGreen Shareholders for Consideration Shares.

In connection with the closing, principals of HydroGreen holding in excess of 80% of the Consideration Shares entered into a pooling agreement with respect to their Consideration Shares. Under the terms of the pooling agreement, 25% of their Consideration Shares were released on the closing of the Acquisition and an additional 25% will be released on each of the dates which are 6 months, 12 months and 18 months following closing of the Acquisition. Details of the purchase price allocation are disclosed in Note 6 of the Company's audited financial statements ending June 30, 2020.

Joint Venture with Artex Feed Solutions

CubicFarms acquired a 25% investment in Artex Feed Solutions Ltd., a company incorporated in November 8, 2019. The company further increased its ownership in Artex Feed to 50% on January 17, 2020. Artex Feed Solutions is a joint venture company which is now 50% owned by CubicFarms and 50% owned by Artex Dairy Services. On September 9, 2020, the Company announced that a new non-exclusive global reseller, Hydrogreen Global LLC, a Colorado-based company owned by Total Dairy Solutions Inc.) will replace Artex Feed Solutions Ltd. and that Artex Feed Solutions Ltd. will begin the process of being dissolved.

Joint Venture with Pacific Maple Enterprise Group Ltd. and Canada High-Tech Investment Group Co. Ltd.

The Company, Pacific Maple Enterprise Group Ltd. ("PME") and Canada High-Tech Investment Group Co. Ltd. ("CHTI") have set up a "joint venture" company, 1241876 B.C. Ltd. ("1241"), for the purpose of carrying out a number of transactions, including the purchase by 1241 of 100 machines from the Company for a proposed real estate development site located in Surrey, British Columbia.

CubicFarms subscribed for 200,000 common shares in the capital of the 1241 company, representing 20% of the total issued and outstanding common shares of 1241, at the subscription price of $0.0001 per share, for the aggregated purchase price of $20.00. For context, PME and CHTI have subscribed for and are the legal and beneficial holders of 700,000 and 100,000 common shares in the capital of the 1241, respectively, representing 70% and 10% of the total issued and outstanding common shares of 1241, respectively.

Transactions with Related Parties

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

Transactions with entities with significant influence over the Company

Rent paid to Bevo Farms (Refer to Note 20 in the Company's Financial Statements dated June 30, 2020).

	Twelve months Ended June 30, 2020 $	Twelve months Ended June 30, 2019 $
Rent	10,000	132,784

The Company has made a 50% investment in Swiss Leaf Farms Ltd. Details of the investment are provided in Note 12 of the Company's annual financial statements dated June 30, 2020.

Key management compensation

Key management of the Company are members of the Board of Directors and officers of the Company. The Company paid and/or accrued the following compensation to key management during the reporting periods:

	Twelve Months Ended June 30, 2020 $	Twelve Months Ended June 30, 2019 $
Wages and consulting fees	1,355,264	626,410
Share-based compensation	851,982	397,456
Total	**2,207,246**	**1,023,866**

Following balances are related to Related Party:

	As on June 30, 2020	As on June 30, 2019
Accounts Receivable	13,596	490,255
Accounts Payable	11,475	152,407

On January 28, 2019 the Company completed a private placement with a strategic investor, pursuant to the investment agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest. This right is available to Nu Skin for as long as it owns not less than 8% of the Company's shares. On May 13, 2020, the Company completed a private placement with Ospraie Ag Science, LLC "Ospraie" involving 21,739,130 common shares. As of June 30, 2020, common shares transactions with Nu Skin & Ospraie Ag is as follows:

Related Party	# of common shares	Average price	Gross proceeds ($)
Nu Skin	10,878,587	1.0039	10,920,860
Ospraie AG Science	21,739,130	0.23	4,999,986

Swiss Leaf Farms

In January 2019, the Company accepted a short-term promissory note in the amount of $205,874 from its associate (Note 8 in the Company's annual financial statements dated June 30, 2020) in exchange of the same amount of accounts receivable from associate. The note was payable in full on February 1, 2020 and bears an interest rate of 1% per month and it is further extended to another year so it's due in full on February 1, 2021 and bears an interest rate of 1% per month. The Company has fully provided for the short-term receivable from associate and related interest receivable on it considering the inability of the associate to pay off by the due date of loan.

Further to these interest-bearing promissory notes above, there are promissory notes from Swiss Leaf Farms without interest which has also been provided in full which is reported in Note 8 in the Company's annual financial statements dated June 30, 2020.

Outstanding Share Data

As at the date of this MD&A, the Company had 119,292,793 outstanding common shares. The Company also had 29,304,433 share purchase options outstanding at weighted average exercise price of $0.44.

Shares outstanding as of June 30, 2020:

Class	Par Value	Number Authorized	June 30, 2020 Number Issued	June 30, 2019 Number Issued	June 30, 2018 Number Issued
Common Shares	No par value	Unlimited	116,315,015	84,179,714	60,130,186
Preferred Shares (1)	No par value	Unlimited	0	0	4,266,868
			116,315,015	**84,179,714**	**64,370,054**

(1) Converted to common shares upon listing of the Company's shares on the TSXV.

Summary of options outstanding as of June 30, 2020:

Grant date - Expiry date	Options Outstanding (#)	Contractual life of options years	Exercise price $	Options Exercisable (#)
May 3, 2017-April 1, 2027	14,130,096	10	0.19	5,434,624
November 1, 2017 - January 30, 2023	3,057,670	5	0.19	1,689,400
March 20, 2018 - March 30, 2023	575,000	5	0.19	506,000
July 15, 2018 – July 15, 2023	8,178,000	5	0.83	1,030,400
June 18, 2019 –September 15, 2020	300,000	1	1	300,000
June 18, 2019 – December 15, 2023	605,000	5	1	385,000
September 03, 2019- September 02, 2024	10,000	5	0.68	2,000
November 14, 2019 –November 13, 2024	100,000	5	0.51	0
November 30, 2019-December 30, 2024	50,000	5	1	50,000
December 02, 2019-Decembe 01, 2024	10,000	5	0.39	3,333
June 17, 2020 -June 18, 2025	3,620,000	5	0.63	1,206,667
Total share purchase options	**30,635,766**			**10,607,424**

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.

Adoption of New Accounting Standards

IFRS 16 Leases

IFRS 16 Leases sets out the principles for recognition, measurement, presentation, and disclosure of leases. It eliminates the classification of leases as either operating or finance leases required by IAS 17 and introduces a single lessee accounting model.

The Company adopted IFRS 16 retrospectively from July 1, 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. Therefore, the adjustments arising from the new leasing rules were recognized in the opening balance sheet on July 1, 2019.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard.

- Account for leases with a remaining term of less than 12 months as of July 1, 2019 as short-term leases;
- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Account for lease payments as an expense and not recognize a right-to-use asset if the underlying asset is of low dollar value; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

The details of the calculation are disclosed in Note 5 of the notes to accounts.

IAS 28 Interest in Associates and Joint Ventures

Amendments were made to IAS 28, clarifying that IFRS 9, Financial Instruments requirements, including its impairment requirements, apply to long-term interests. The expected credit loss impairment requirements in IFRS 9 are applied first to long-term interests, followed by the adjustments to their carrying amount required by IAS 28, i.e. the adjustments resulting from the allocation of losses of the investees. This is followed by the determination of whether there are indicators of impairment which require an impairment test to be applied to the entire remaining carrying amount of the investment in the associate or joint venture.

The Company adopted these amendments on July 1, 2019. The Company has a 50% interest in Swiss Leaf Farms Ltd. ("Swiss Farm") (Note 12), which is accounted for under the equity method. The Company has also provided loans to Swiss Farm. The promissory note receivable from Swiss Farm is measured at fair value and for additional loans to Swiss Farm, the Company has applied the impairment requirements of IFRS 9 and written off the related balances (Note 20). As on July 1, 2019 and June 30, 2020, the management of the Company determined that the balance remaining for the investment in associates was not impaired. As a result, the adoption of the amendments to IAS 28 did not have any impact on the consolidated financial statements of the Company.

Financial Instruments and Other Instruments

The carrying value of the Company's Cash & Cash Equivalent, Trade and other receivables, Trade and other payables, Customer deposits approximate fair value due to their immediate and short-term nature. The fair value for earn-out payable is classified as Level 3 of the fair value hierarchy. The Company classifies its fair value measurements with the following fair value hierarchy:

Level 1 –Unadjusted quoted prices at the measurement date for identical assets or liabilities in active market

Level 2 Observable imports other than quoted prices included in Level, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data

Level 3 – Unobservable imports which are supported by little or no market activity.
There has been no change between levels during the year. The Company's risk management contracts are classified as Level 2.

The fair values of the Company's financial instruments are outlined below:

		As at June 30, 2020			
	FVTPL	Amortized Cost		Fair Value	
Asset (Liability)			Level 1	Level 2	Level 3
Cash and Cash Equivalent	3,604,412	-	3,604,412	-	-
Trade and other Receivables	-	2,186,568	-	2,186,568	-
Trade and other payables	-	(1,298,598)	-	(1,298,598)	-
Customer deposits	-	(1,709,666)	-	(1,709,666)	-
Earn out Payable	(1,364,756)	-	-	-	(1,364,756)
		As at June 30, 2019			
	FVTPL	Amortized Cost		Fair Value	
Asset (Liability)			Level 1	Level 2	Level 3
Cash and Cash Equivalent	9,900,987	-	9,900,987	-	-
Trade and other Receivables	-	969,920	-	969,920	-
Trade and other payables	-	(1,259,761)	-	(1,259,761)	-
Customer deposits	-	(2,280,305)	-	(2,280,305)	-

The Company is exposed to certain risks relating to its financial instruments. The Company does not use derivative financial instruments to manage these risk exposures. As at June 30, 2020, the primary risks were as follows:

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 and the loans and advances will be secured by the assets of the Company which mitigates the credit risk. As of June 30, 2020, one customer accounted for 89% of the trade accounts receivable. The Company believes there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments on its customers and associates and provides allowances for potentially uncollectible accounts receivable & associates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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

Liquidity risk is the risk that the Company will not be able to meets it financial obligations as they fall due. 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. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Management is continuing efforts to increase sales and attract additional equity and capital investors to continue R&D activities, while implementing effective cost control measures to maintain adequate levels of working capital.

Foreign currency risk

The Company enters into transactions denominated in US dollars for which the related revenues, expenses, accounts receivable, and accounts payable balances are subject to exchange rate fluctuations. As of June 30, 2020, the following items are denominated in US dollars:

	June 30, 2020	June 30, 2019
	$	$
Cash	93,424	455,646
Accounts receivable	1,446,332	492,431
Accounts payable	(313,060)	(43,205)
Customer deposits	(243,883)	(585,600)
Lease Liability	(968,060)	-
Earn out Payable	(1,001,457)	-
Net exposure	**(986,704)**	319,272

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the only foreign currency the Company transacts in is US dollars ("USD") and it is not subject to significant variance; the Company has not made any special arrangements to reduce the related currency risk. Net exposure is negative as of June 30, 2020 as compared to June 30, 2019.

A 10% increase or decrease in the US dollar exchange rate would have approx. $ 99,000 impact on the Company's net loss.

COVID-19 Disclosure

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Additional Information & Approval

Additional information relating to the Company is on SEDAR at www.sedar.com.
The Board has approved the disclosure contained in this MD&A as of October 28, 2020.