CubicFarm Systems Corp.

Condensed Interim Consolidated Financial Statements

For The Three Months and Nine Months Ended March 31, 2020 and 2019

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating as such.

The Company's independent auditors have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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CubicFarm Systems Corp.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Notes	**March 31, 2020**	June 30, 2019
		$	$
Assets			
Current			
Cash & Cash Equivalent		**2,645,356**	9,900,987
Restricted Cash	7	**-**	310,000
Trade & Other Receivables	8	**2,340,712**	969,920
Inventory	9	**1,246,671**	225,635
Prepaid expenses & Deposits	10	**3,799,895**	1,699,048
		10,032,634	13,105,590
Non-current			
Goodwill	6	**1,111,138**	-
Property, Plant and Equipment	11	**2,915,182**	3,132,936
Promissory note, associates	12	**336,660**	269,132
Investment in Associates	12	**333,267**	546,541
Intangible Assets	13	**5,164,652**	1,048,295
Right-of-Use Asset	5	**396,724**	-
		10,257,623	4,996,904
Total assets		**20,290,257**	18,102,494
Liabilities			
Current			
Trade & Other Payables	14	**1,426,459**	1,259,761
Earn-Out Payable	6	**294,857**	-
Customer Deposits	15	**5,582,296**	2,280,305
Lease Payable	5	**90,129**	-
Warranty Provision		**183,499**	388,649
		7,577,240	3,928,715
Non-current			
Lease Payable	5	**194,924**	-
Restoration Provision	5	**119,155**	-
Other Loan payable	6	**73,141**	-
Deferred Tax Liability	6	**807,028**	-
Earn-Out Payable	6	**1,102,616**	-
Total liabilities		**9,874,104**	3,928,715
Equity			
Share Capital		**25,814,394**	22,740,341
Shares issuable	6	**270,778**	-
Equity Reserves		**2,035,343**	1,411,110
(Deficit)		**(17,704,362)**	(9,977,672)
Total equity		**10,416,153**	14,173,779
Total liabilities and equity		**20,290,257**	18,102,494

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Approved on behalf of the Board

Director   **Director**

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

CubicFarm Systems Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian dollars)

		For the Three months ended		For the Nine months ended	
	Notes	**March 31, 2020**	March 31, 2019	**March 31, 2020**	March 31, 2019
		$	$	**$**	$
Revenue		**192,689**	1,461,226	**753,530**	5,331,921
Cost of sales		**145,448**	1,137,850	**473,091**	4,087,632
Gross margin		**47,241**	323,376	**280,439**	1,244,289
Operating and General Admin expenses	16	**2,658,561**	728,995	**5,874,927**	1,634,777
Warranty expense		**19,322**	42,998	**22,834**	122,998
Selling expenses		**106,058**	44,746	**324,787**	148,774
Research & Development		**193,679**	483,679	**985,691**	2,144,365
Share based compensation	19	**96,178**	681,557	**327,791**	1,627,123
		3,073,798	1,981,975	**7,536,030**	5,678,037
Loss before other income (expense)		**(3,026,557)**	(1,658,599)	**(7,255,591)**	(4,433,748)
Other income (expense)					
Other income	15	**-**	-	**350,936**	-
Finance income		**84,835**	20,675	**163,014**	20,675
Finance expense		**(1,312)**	(8,812)	**(1,589)**	(12,056)
Accretion charge	5	**(815)**	-	**(1,660)**	-
Foreign exchange gain(loss)		**30,454**	26,331	**25,939**	(3,351)
Translation Foreign exchange gain(loss)	6	**28,657**	-	**28,657**	-
Gain on disposal of PPE		**-**	9,230	**-**	9,230
Loss on investment in associate	12	**(150,635)**	-	**(256,366)**	-
Public listing		**(3,210)**	(58,416)	**(36,676)**	(58,416)
Bad Debt expense		**(420,913)**	-	**(743,354)**	-
		(432,939)	(10,992)	**(471,099)**	(43,918)
Net loss and comprehensive loss for the period		**(3,459,496)**	(1,669,591)	**(7,726,690)**	(4,477,666)
Earnings (loss) per share					
Basic & Diluted		**$ (0.04)**	$ (0.02)	**$ (0.09)**	$ (0.07)
Shares used in computing earning per share:					
Basic & Diluted		**94,367,689**	71,854,441	**87,720,798**	64,859,069

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

(Expressed in Canadian dollars)

	No of Shares	*Common Share capital*	*Preferred Share capital*	*Equity Reserves*	*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 period	-	-	-	-	-	(4,477,666)	(4,477,666)
Issurance of Preferred Shares	-	-	2,402,740	-	-	-	2,402,740
Conversion of Preferred Shares	7,175,448	5,927,544	(5,927,544)	-	-	-	-
Exercise of stock options	2,300,000	$ 737,500	-	(290,000)	-	-	447,500
Issuance of shares, net of share issuance costs	12,695,188	$ 12,710,935	-	-	-	-	12,710,935
Share-based payments	-	-	-	1,627,123	-	-	1,627,123
Balance, March 31, 2019	**82,273,822**	**$ 21,474,113**	**$ -**	**$ 1,550,232**	**$ -**	**$ (6,824,714)**	**$ 16,199,631**
Balance, June 30, 2019	**84,179,714**	**$ 22,740,341**	**$ -**	**$ 1,411,110**	**$ -**	**$ (9,977,672)**	**$ 14,173,779**
Net loss for the period	-	-	-	-		(7,726,690)	(7,726,690)
Exercise of stock options	142,000	50,289	-	(23,309)	-	-	26,980
Issuance of shares, net of share issuance costs	158,171	149,804	-	-	-	-	149,804
Issuance of share for acquisition of CubicFeed	10,000,000	2,873,960	-	-	270,778	-	3,144,738
Share-based payments	-	-	-	647,542	-	-	647,542
Balance, March 31, 2020	**94,479,885**	**$ 25,814,394**	**$ -**	**$ 2,035,343**	**$ 270,778**	**$(17,704,362)**	**$ 10,416,153**

CubicFarm Systems Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)
(Expressed in Canadian dollars)

	For the Nine months ended	
	March 31, 2020	March 31, 2019
	$	$
Cash provided by (used for) the following activities		
Operating activities		
Net loss for the period	**(7,726,690)**	(4,477,666)
Depreciation - Property, plant and equipment	**344,391**	116,605
Depreciation - Right-of-use asset	**34,589**	-
Accretion charges	**1,660**	-
Amortization	**27,326**	85,716
Provision for bad debt	**743,354**	-
Non-cash Research and COGS	**-**	1,291,254
Share-based payments	**647,542**	1,627,123
Loss on investment in associate	**256,366**	-
Interest income	**(163,014)**	(20,675)
	(5,834,476)	(1,377,643)
Changes in working capital accounts		
Trade and other receivables	**(2,114,149)**	(1,321,010)
Inventories	**(1,021,036)**	440,469
Prepaid expenses and deposits	**(2,100,847)**	(1,411,432)
Trade and other payables	**166,698**	2,092,608
Other Loan Payable	**73,141**	-
Customer deposits	**3,301,991**	1,000,000
Warranty provision	**(205,150)**	122,998
	(1,899,352)	923,633
Investing activities		
Purchases of property, plant, and equipment	**(126,637)**	(2,351,456)
Goodwill net of share issuable	**(1,111,138)**	-
Deferred Tax Liability	**807,028**	-
Earnout payable	**1,397,473**	-
Intangible assets	**(4,143,683)**	-
Promissory note, associate	**(110,620)**	(848,323)
Interest Income	**163,014**	20,675
	(3,124,563)	(3,179,104)
Financing activities		
Issuance of shares	**3,023,764**	13,448,435
Share issuable	**270,778**	-
Exercise of stock options	**26,980**	-
Lease payments	**(28,762)**	-
Proceeds of Demand Loan	**-**	802,500
	3,292,760	14,250,935
Increase (decrease) in cash and cash equivalents	**(7,565,631)**	10,617,821
Cash and cash equivalents, beginning of period	**10,210,987**	2,509,946
Cash and cash equivalents, end of period	**2,645,356**	13,127,767

The accompanying notes are an integral part of these condensed interim 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 9440-202 Street, Unit 117, Langley, BC, V1M 4A6.

The Company listed its common shares of the Company 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.

2. Statement of compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements in compliance with the International Accounting Standard 34 Interim Financial reporting ("IAS 34") as issued by International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2019, and Condensed interim consolidated financial statements for the quarter ended December 31, 2019 which have been prepared in accordance with IFRS. The accounting policies adopted are consistent with those of the previous financial year except as described in Note 5 below.

The Board of Directors approved these condensed interim consolidated financial statements on May 29, 2020.

3. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The management confirms their assumption that the company is a going concern and no significant uncertainty exists in this respect. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings or issue equity from third parties enough to meet current and future obligations. These condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the company were unable to continue its operations.

4. Basis of preparation and significant accounting policies

Basis of measurement

These interim condensed consolidated financial statements are presented in Canadian dollars. They are prepared on a historical cost basis, with the exception of Promissory note, associate (Note 12), which is measured at fair value.

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. Estimates are continuously evaluated and are based on management's experience and expectations

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

of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended June 30, 2019, except for the judgments and assumptions applied by the Company for the adoption of IFRS 16 (Note 5) and Business Combinations, Goodwill, Intangibles and Earn-out payables (Note 6). The judgements and estimates are disclosed in Summary of Significant accounting policies disclosed below.

Summary of Significant Accounting Policies

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 the 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 assts 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

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

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.

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.

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 three months ended March 31, 2020, the company's goodwill was determined to not be impaired.

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 CubicFeed ("HydroGreen") . 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 statement of operations. The Earn-out payments are based on unobservable inputs and considered a level 3 measurement.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidated.

The principal subsidiaries of the Company and joint arrangements to which it is a party were as follows at March 31, 2020.

(Expressed in Canadian dollars, unless otherwise stated.)

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

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 produce
CubicFarm Services Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Purchase of materials for growth and sale of produce
CubicFarm Capital Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Investment company
Swiss Leaf Farms Ltd.	AB, Canada	50%	Equity method	Growth and sale of produce
Artex Feed Solutions Ltd.	BC, Canada	50%	Equity method	Authorized reseller of hydroponic animal feed system
CubicFarm Systems U.S. Corp	DE, USA	100%	Subsidiary; Consolidation method	Investment company
CubicFeed Systems U.S. Corp	SD, USA	100%	Subsidiary; Consolidation method	Manufacture and sale of animal feed system
1241876 B.C. Ltd	BC, Canada	20%	Equity method	Growth and sale of produce

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.

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

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 ($5000 or lower); and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

(Expressed in Canadian dollars, unless otherwise stated.)

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

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 the shorter of the asset's useful life and the lease term on a straight-line basis. 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 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 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 the purpose of 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%.

Here is the reconciliation of lease commitments as reported at June 30, 2019 to the lease liabilities recorded at July 1, 2019.

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	(78,256)
Add: Additional estimated variable payments under IFRS 16	-
Add: Change in estimate for additional period (5 years)	46,094
Balance as at July 1, 2019	**79,974**

Lease in United States

On Acquisition of CubicFeed, the company also recognized the lease of farmland at South Dakota as per lease accounting. 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 $164,455 and right-of-use assets of $174,134 which consists of total lease liabilities of $164,455 and estimated cost of restoring the facility at the end of lease term at $9,680. For the purpose of 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 3 years) of 1.64%.

(Expressed in Canadian dollars, unless otherwise stated.)

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

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

			March 31, 2020
Lease Liability	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	79,974	233,312	313,286
Payments	(7,500)	(21,266)	(28,766)
Accretion expense	257	275	532
Ending	**72,731**	**212,321**	**285,052**
Current	(9,085)	(81,044)	(90,129)
Long term	**63,646**	**131,277**	**194,923**

			March 31, 2020
Right of Use Asset	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	79,974	233,312	313,286
Restoration Provision	104,294	13,733	118,027
Depreciation	(15,359)	(19,230)	(34,589)
Ending	**168,909**	**227,815**	**396,724**

			March 31, 2020
Restoration Provision	**Canada**	**United States**	**Total**
Balance as at July 1, 2019	-	-	-
Accrual for restoration of the facility	104,294	13,733	118,027
Accretion	1,073	55	1,128
Ending	**105,367**	**13,788**	**119,155**

The lessor of the farming facility in Canada is a related party to the Company.

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 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 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 7). As at July 1, 2019 and March 31, 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.

(Expressed in Canadian dollars, unless otherwise stated.)

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., a private US based company and a manufacturer of fully automated hydroponic growing systems that produce live, green animal feed, prioritizing animal health and performance.

HydroGreen is a manufacturer of fully automated hydroponic growing systems that produce live, green animal feed, prioritizing animal health and performance. With the acquisition of HydroGreen, CubicFarms emerges as a true global leader in the automated controlled-environment-agriculture space. The combination of both Cubic and HydroGreen technologies allows us to address both fresh produce and animal feed markets and leverage the learning and assets of both companies to lead the market worldwide.

Cubic Farms has completed the acquisition of HydroGreen, Inc. ("HydroGreen"), a south Dakota-based private company headquartered in South Dakota 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 will operate the existing business of HydroGreen moving forward.

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 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 $3,497,048 USD (4,542,211 CAD).

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.

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 share consideration (1)	10,000,000	$2,212,662	$2,873,960
Holdback shares (2)	1,000,000	$208,472	$270,778
Earn-out payments (3)		$1,075,914	$1,397,472
Total Consideration		**$3,497,048**	**$4,542,211**

(Expressed in Canadian dollars, unless otherwise stated.)

6. Business combination & translation (Continued)

(1) Of the 10,000,000 shares, 8,572,464 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 an assumed value of $0.39 per share (based on TSXV price on January 1, 2020), adjusted for the incremental releases of the pooling shares over eighteen months. The discount applied to the pooling shares were determined using the Black-Scholes option pricing model, as at the acquisition date, using the following assumptions:

(2)

Share price	$0.39
Exercise Price	$0.39
Expected volatility	110%
Expected life (years)	6 months, 12months and 18 months
Risk free interest rate	1.7%

(3) The value of the holdback shares is based on an assumed value of $0.39 per share (based on TSX-V price on January 1, 2020), discounted to reflect the six month holdback period, with the discounted value determined using the Black-Scholes option pricing model, as at the acquisition date, using the following assumptions:

Share price	$0.39
Exercise Price	$0.39
Expected volatility	110%
Expected life (years)	6 months, 12months and 18 months
Risk free interest rate	1.7%

(4) 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 $1,075,914 USD. 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 limited 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 preliminary allocation of the purchase price of the identifiable assets and liabilities based on their estimated fair values as at the date of the acquisition:

(Expressed in Canadian dollars, unless otherwise stated.)

6. Business combination & translation (Continued)

	USD	CAD
Total purchase consideration paid for HydroGreen	$3,497,048	$4,542,211
Net working capital assumed	$(16,345)	$(21,230)
Property and Equipment	$127,728	$165,902
Right of use assets	$174,135	$226,179
Intangibles – intellectual property	$3,190,220	$4,143,681
Goodwill	$869,371	$1,129,200
Deferred Tax Liability	$(622,371)	$(808,379)
Lease liability	$(174,135)	$(226,179)
Loan payable	$(51,555)	$(66,963)
Fair value of net assets acquired	$3,497,048	$4,542,211

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.

Deferred Tax Liability is computed at the difference of fair value of intangibles on acquisition and book value adjusted with the applicable tax rate (3,190,200-796,466)*26%= USD 622,371 and CAD 808,379.

Since the acquisition date, Hydrogreen has contributed $142,049 to group revenue and $(24,724) to group loss. If the acquisition had occurred on July 1, 2019, the group revenue would have been $1,177,127 and group loss would have been $(7,894,197).

Translation

The books of accounts of CubicFeed is being translated from USD to CAD as on March 31, 2020 for the purpose of consolidation. The monetary items are translated at closing rate as on March 31, 2020 between USD/CAD , Non-monetary items @ Fair value is translated at the rate when fair value was measured and income statement items are translated at average rate for the quarter except for amortized depreciation which is translated at average rate and intercompany balance is translated at the rate transfer was recorded in transferring company's books. The exchange difference gain of $28,657 has been recognized in other income section of the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

7. 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.

(Expressed in Canadian dollars, unless otherwise stated.)

8. Accounts receivable

Current:	March 31, 2020	June 30, 2019
	$	$
Trade accounts receivable	**2,111,157**	362,588
Note receivable	**346,142**	205,874
Interest receivable	**-**	12,352
Less: Provision for loss on Short term receivable (Note Receivable & Interest Receivable)	**(346,142)**	(218,226)
Goods and services tax receivable	**229,555**	231,881
Other Receivable	**-**	375,451
	2,340,712	969,920

Non-Current:	March 31, 2020	June 30, 2019
	$	$
Note receivable	**205,874**	-
Interest receivable	**30,881**	-
Less: Provision for loss on Long term receivable (Note Receivable & Interest Receivable)	**(236,755)**	-
	-	-

In January 2019, the Company accepted a short-term promissory note in the amount of $205,874 from its associate (Note 11) 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 is due in full on February 1, 2021 and bears an interest rate of 1% per month. The Company has fully provided for it and related interest receivable on it considering the inability of the associate to pay off by the due date of loan.

Further there are following promissory notes from Swiss leaf without interest which has also been provided in full.

Date	Amount
August 21, 2019	22,142
September 25, 2019	50,000
October 30, 2019	25,000
November 26, 2019	40,000
December 20, 2019	75,000
January 27, 2020	40,000
February 24, 2020	52,000
March 24, 2020	42,000
	346,142

The trade accounts receivable balance is net of provision for bad debt. Other Receivable consists of reimbursement of expenses by customers. The amount of $182,514 was provided for allowance for bad debt related to related parties-Swiss Leaf ($175,643) and Nu Skin ($6,871).

(Expressed in Canadian dollars, unless otherwise stated.)

9. Inventory

	March 31, 2020	June 30, 2019
	$	**$**
Systems – in progress	1,189,506	140,604
Seeds and other supplies	31,413	47,720
Packaging and other	25,753	37,311
	1,246,671	**225,635**

System – in progress is the container in hand available for sale by the Company. The net realizable value of inventory as on March 31, 2020 and June 30, 2019 are higher than the cost accordingly the Company has reported the inventory at cost in the financial statement.

10. Prepaid expenses

	March 31, 2020	June 30, 2019
	$	**$**
Deposits for Systems inventory (i)	3,735,321	1,648,288
Prepaid expenses and deposits, other	65,574	50,760
	3,799,895	**1,699,048**

(i) Current practice of the Company is to put down deposit for the containers. Such containers are shipped upon the purchase being paid in full.

(Expressed in Canadian dollars, unless otherwise stated.)

11. Property, plant, and equipment

	Production equipment	Other Production Equipment	Leasehold Improvement & Building	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	104351	3,408,497
Additions	-	32,063	148,161	6,788	30,591	29,845	70,952	318,400
Disposals/Transfer	-	-	-	-	-	(191,763)	-	(191,763)
March 31, 2020	**1,534,779**	**631,546**	**314,141**	**30,317**	**333,186**	**515,862**	**175,303**	**3,535,134**
Accumulated depreciation								
June 30, 2019	71,096	109,390	16,598	2,353	60,486	-	15,638	275,561
Depreciation	95,136	151,579	37,244	3,880	28,958	-	28,249	344,392
Disposals	-	-	-	-	-	-	-	-
March 31, 2020	**166,232**	**260,969**	**53,842**	**6,233**	**89,444**	**0**	**43,887**	**619,953**
Net book value, March 31, 2020	**1,368,547**	**370,577**	**260,299**	**24,084**	**243,742**	**515,862**	**131,416**	**2,915,181**
Net book value, June 30, 2019	**1,463,683**	**490,093**	**149,382**	**21,176**	**242,109**	**677,780**	**88,713**	**3,132,936**

12. Investment in associates

The Company owns 50% of the 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 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 fair value of the promissory note at March 31, 2020 was determined to be $336,660 (June 30, 2019 - $269,132). The rate of 25% is considered as the discounting rate as the promissory note is related to the unsecured loan and 25% is considered a required rate of return any venture capital investor will want on their investment.

The investment in associate has been accounted for by the equity method and as such was initially recognized 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. At March 31, 2020, the investment in Swiss Leaf has a carrying amount of $333,247 (June 30, 2019 - $546,541).

The Company owns 50% of the Artex Feed Solutions, an animal feed solution company with registered address in British Columbia. The company contributed $100,000 in total cash which consisted of $500 in share capital and 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. At March 31, 2020, the investment in Artex Feed Solutions has a carrying amount of $Nil (June 30, 2019 - $Nil) as the share of los is more that the carrying amount of investment. Unrecognized share of loss is $1,719.

(Expressed in Canadian dollars, unless otherwise stated.)

12.Investment in associates (Continued)

The Company owns 20% of 1241876 B.C. Ltd which is joint Venture with Pacific Maple Enterprise Group Ltd "PME" and Canada High-Tech Investment Group Co. Ltd "CHTI". The JV is 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. At March 31, 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 is as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
	$	$	$	$
Swiss Leaf	50,885	-	91,225	-
Artex Feed Solutions	85,494	-	100,000	-
1241876 B.C. Ltd	-	-	-	-
Total	**150,635**		**256,366**	**-**

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	-	-	-	-
March 31, 2020	**50,000**	**1,136,810**	**4,143,681**	**5330,491**
Accumulated depreciation				
June 30, 2019	6,645	131,870	-	138,515
Amortization	1,718	20,463	4,286	27,324
Disposals	-	-	-	-
March 31, 2020	**8,363**	**152,333**	**4,286**	**165,839**
Net book value, March 31, 2020	**41,637**	**984,477**	**4,139,395**	**5,164,652**
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:

	March 31, 2020	June 30, 2019
	$	**$**
Trade Payable	850,354	769,596
WCB Payable	12,395	10,838
Tax Payable	27,323	10,002
Accrued Expenses	536,386	469,325
Ending balance	**1,426,459**	**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 equal to ten percent (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 equal to twenty percent (20%) of the purchase price. The order shall not be cancellable after shipping of the equipment. During the quarter deposit from one of the customers were forfeited as per contract as they were not in compliance with the terms of the sales agreement. The forfeiture of $350,936 is included in other income.

There is no external restriction on the use of these deposits.

	March 31, 2020	June 30, 2019
	$	**$**
Balance – Opening	2,280,305	883,692
Additions	3,792,222	4,129,699
Recognized into revenue	(136,620)	(2,733,086)
Deposit forfeited, recognized as other income	(350,936)	-
FX Adjustment for deposit forfeited	(2,675)	-
Balance – Ending	**5,582,296**	**2,280,305**

16. Operating and general admin expenses

	Three Months Ended March 31, 2020	**Three Months Ended March 31, 2019**	**Nine Months Ended March 31, 2020**	**Nine Months Ended March 31, 2019**
	$	**$**	**$**	**$**
Depreciation and Amortization	156,040	86,235	406,306	202,321
Consulting	578,920	177,398	1,303,099	386,760
Salary and Benefits	1,059,164	301,798	2,319,685	595,482
Professional Fees	428,789	41,716	763,821	179,899
Other expenses	435,648	121,848	1,082,016	270,315
	2,658,561	**728,995**	**5,874,927**	**1,634,777**

17. Related party transactions

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 (Note 5)

	Three Months Ended March 31, 2020	**Three Months Ended March 31, 2019**	**Nine Months Ended March 31, 2020**	**Nine Months Ended March 31, 2019**
	$	**$**	**$**	**$**
Rent	2,500	8,510	7,500	42,310

(Expressed in Canadian dollars, unless otherwise stated.)

17. Related party transactions (Continued)

Accounts receivable from Bevo Farms is $1,281 & Accounts Payable is $ Nil (June 30, 2019 - $160,036 and $145,413, respectively).

Company has made 50% investment in Swiss Leaf (Note 11). As at March 31, 2020, Accounts Receivable from Swiss Leaf was $0 and $7,925 is payable to Swiss Leaf (June 30, 2019 - $3,001 and $6,994, respectively).

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. As at March 31, 2020, common shares transactions with Nu Skin have been as follows, for its total ownership interest in the Company on non-diluted basis of 12.88%:

Date	# of common shares	Share price ($)	Gross proceeds ($)
January 28, 2019	9,953,913	1.00463	10,000,000
May 8, 2019	767,503	1.00463	771,056
August 16, 2019	158,171	0.9471	149,804
	10,879,587		**10,920,860**

As at March 31, 2020, Accounts and other receivable from Nu Skin was $17,915 (June 30, 2019 - $487,254).

In January 2019, the Company accepted a short-term promissory note in the amount of $205,874 from its associate (Note 8) 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 there are promissory notes from Swiss leaf without interest which has also been provided in full which is reported in Note 8.

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:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
	$	$	$	$
Wages and consulting fees	347,037	183,654	661,667	410,654
Share-based compensation	79,993	99,364	239.979	298,092

18. Commitments

As at March 31, 2020, the Company had committed to purchase systems totalling $563,098 (June 30, 2019 - $458,716).

(Expressed in Canadian dollars, unless otherwise stated.)

19. 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
Forfeited	(230,000)	0.83
Balance, June 30, 2019	**29,655,766**	**0.45**
Granted	170,000	0.95
Exercised	(142,000)	0.19
Forfeited	(630,000)	0.94
Balance, March 31, 2020	**29,053,766**	**0.44**

During the period ended March 31, 2020, the weighted average price of share when options were exercised was $0.41 (June 30, 2019 - $1.00463).

(Expressed in Canadian dollars, unless otherwise stated.)

19.Stock options (continued)

Share purchase options outstanding at March 31, 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	230,000	5	0.19	92,000
November 1, 2017 - January 30, 2023	282,670	5	0.19	110,400
November 1, 2017 - January 30, 2023	1,560,000	5	0.19	1,100,000
November 1, 2017 - January 30, 2023	184,000	5	0.19	46,000
November 1, 2017 - January 30, 2023	230,000	5	0.19	46,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	69,000	5	0.19	-
November 1, 2017 - January 30, 2023	115,000	5	0.19	115,000
November 1, 2017 - January 30, 2023	184,000	5	0.19	138,000
November 1, 2017 - January 30, 2023	184,000	5	0.19	138,000
March 20, 2018 - March 30, 2023	115,000	5	0.19	23,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
July 15, 2018 – July 15, 2023	10,120,000	5	0.83	1,030,400
June 18, 2019 –September 15, 2020	300,000	1	1.00	-
June 18, 2019 – December 15, 2023	605,000	5	1.00	311,667
September 03, 2019- September 02, 2019	10,000	5	0.68	2,000
November 14, 2019 –November 13, 2024	150,000	5	1.00463	50,000
December 02, 2019-Decembe 01, 2019	10,000	3	0.39	3,333
Total share purchase options	**29,053,766**			**9,123,424**

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% for all options granted in FY 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 details of Share-based compensation (SBC) is as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
	$	$	$	$
SBC for vendors (included in Operating & GA expenses)	106,584	-	303,755	-
SBC for employees & directors	96,178	681,557	343,788	1,627,123
Total SBC	**202,762**	**681,557**	**647,543**	**1,627,123**

(Expressed in Canadian dollars, unless otherwise stated.)

20. 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.

Three Months Ended March 31, 2020

	Canada	United States	Inter segment	Total
	$	$	$	$
Net Revenue	50,640	142,049	-	192,6890
Gross Margin	18,230	29,011	-	47,241
Net Loss	(3,020,147)	(439,349)	-	(3,459,496)
Total Assets	14,187,220	6,103,037	-	20,290,257

Nine months ended March 31, 2020

	Canada	United States	Inter segment	Total
	$	$	$	$
Net Revenue	611,481	142,049	-	753,530
Gross Margin	251,428	29,011	-	280,439
Net Loss	(7,287,341)	(439,349)	-	(7,726,690)
Total Assets	14,187,220	6,103,037	-	20,290,257

Three months ended March 31, 2019

	Canada	United States	Inter segment	Total
	$	$	$	$
Net Revenue	1,461,226	-	-	1,461,226
Gross Margin	323,376	-	-	323,376
Net Loss	(1,669,591)	-	-	(1,669,591)
Total Assets	18,102,494	-	-	18,102,494

Nine months ended March 31, 2019

	Canada	United States	Inter segment	Total
	$	$	$	$
Net Revenue	5,331,921	-	-	5,331,921
Gross Margin	1,244,289	-	-	1,244,289
Net Loss	(4,477,666)	-	-	(4,477,666)
Total Assets	18,102,494	-	-	18,102,494

(Expressed in Canadian dollars, unless otherwise stated.)

21. 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 as a positive amount. The net equity at March 31, 2020 and June 30, 2019 were as follows:

	March 31, 2020	June 30, 2019
	$	$
Total Assets	**20,290,257**	18,102,494
Total Liabilities	**(9,874,104)**	(3,928,715)
Net Equity	**10,416,153**	14,173,779

22. Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, trade payables, customers deposits, demand loan, lease liability, earn out payable and amounts due from an associate. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at March 31, 2020, the Company did not have any financial instruments measured at fair value, except for long-term note receivable from an associate (note 11), categorized within Level 2 of the fair value hierarchy and earn-out payable (note 6), categorized within Level 3 of the fair value hierarchy.

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 March 31, 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 at March 31, 2020, one customer accounted for 76% 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 and associates.

22. Financial Instruments and Other Instruments (continued)

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.

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 March 31, 2020, the following items are denominated in US dollars:

	March 31, 2020	**June 30, 2019**
	$	$
Cash	128,493	455,646
Accounts receivable	1,484,306	492431
Accounts payable	(387,579)	(43,205)
Customer deposits	(3,213,102)	(585,600)
Lease Liability	(149,662)	-
Earn out Payable	(1,075,915)	-
Net exposure	**(3,213,458)**	**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 March 31, 2020 as compared to June 30, 2019.

A 10% increase or decrease in the US dollar exchange rate would have approx. $321K impact on the Company's net loss.

23. Subsequent Events

Since March 31, 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

23.Subsequent Events (Continued)

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.

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 be closed 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.

Management's Discussion and Analysis

For the Three months and Nine Months Ended March 31, 2020 and 2019

Dated: May 29, 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 nine months ended March 31, 2020. This MD&A is prepared by management and should be read in conjunction with the interim condensed consolidated financial statements for three months ended March 31, 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 May 29, 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 CubicFeed Systems U.S. Corp.

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 9440-202 Street, Unit 117, Langley, BC, V1M 4A6.

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.

The System is a low-cost solution that enables 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 System uses less water, labour and land than traditional farming. The Company believes that the System grows better quality crops with higher yields at lower cost, delivering better profit margins and profits for farmers. Through this proprietary technology 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.

Corporate and Operational Highlights in Fiscal 2020

On July 9, 2019, the Company's common shares commenced trading on the TSX Venture Exchange as a Tier 1 issuer under the symbol "CUB".

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 sale of the equipment by July 2020 and the final installation of the System by the end of August 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 September 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 March 31, 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, 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.

Financial Results

Three months ended March 31, 2020 and 2019, and nine months ended March 31, 2020 and 2019.

Gross revenue

Three months ended	Q3 2020	$192,689	Q3 2019	$1,461,226	**Change: $(1,268,537)**
Nine months ended	Q3 2020	$753,530	Q3 2019	$5,331,921	**Change: $(4,578,391)**

The Company is still in its early stage of operations and 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 seeds, nutrients, fertilizers, and substrates, as well as, monthly customer support subscriptions.

Operating and general administrative expenses

Three months ended	Q3 2020	$2,658,561	Q3 2019	$728,995	**Change: $1,929,566**
Nine months ended	Q3 2020	$5,874,927	Q3 2019	$1,634,777	**Change: $4,240,150**

Total operating and general administrative expenses significantly increased during the current three months and nine months ended for the same period in the previous year. This is in line with the Company's continued expansion of its business and staffing additions. Of the total operating and general administrative expenses for three months ended, salaries and consulting fees were $1,638,084 and $479,196 for the current year and previous year respectively, and for nine months ended, salaries and consulting fees were $3,622,784 and $982,242 for the current year and previous year, respectively.

Gross margin

Three months ended	Q3 2020	25%	Q3 2019	22%	**Change: 3%**
Nine months ended	Q3 2020	37%	Q3 2019	23%	**Change: 14%**

The lower margin livestock feed machine sales have caused overall gross margin to decrease.

Research & Development

Three months ended	Q3 2020	$ 193,679	Q3 2019	$ 483,679	**Change: $(290,000)**
Nine months ended	Q3 2020	$ 985,691	Q3 2019	$2,144,365	**Change: $(1,158,674)**

The majority of research expenses that were allocated for the automation of the fresh produce growing machines, and ability to grow new crops and further transformation of these crops through juicing, was incurred in 2019 as compared to the current year. These costs include salaries, materials, parts and consumables related to research activities.

Net loss and comprehensive loss

Three months ended	Q3 2020	$(3,459,496)	Q3 2019	$(1,669,591)	**Change: $(1,789,905)**
Nine months ended	Q3 2020	$(7,726,690)	Q3 2019	$(4,477,666)	**Change: $(3,249,024)**

Overall net loss and comprehensive loss reflect the Company's continued expansion of its business and staffing additions.

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 $
3rd Quarter 2020	192,689	(3,459,496)	(0.04)
2nd Quarter 2020	320,140	(1,989,433)	(0.02)
1st Quarter 2020	240,701	(2,277,762)	(0.03)
4th Quarter 2019	24,110	(3,153,030)	(0.04)
3rd Quarter 2019	1,461,226	(1,669,517)	(0.02)
2nd Quarter 2019	3,870,694	(2,339,301)	(0.04)
1st Quarter 2019	Nil	(468,777)	(0.01)
4th Quarter 2018	Nil	(433,864)	(0.01)

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 at March 31, 2020, the Company had cash and cash equivalents of $2,455,398 ($9,900,987 as at June 30, 2019) and working capital of $2,455,394 ($9,176,875 as at June 30, 2019). Current liabilities that are to be settled in cash as at March 31, 2020 include trade and other payables, customer deposits and warranty provision.

During the period ended March 31, 2020, the Company used $7,733,828 cash for operating activities and $3,124,563 in cash for investing activities. The Company received an aggregate net cash of $3,292,760 from its financing activities.

As at March 31, 2020, the Company has commitments in the amount of $563,098 for purchase orders in respect to its machine inventory.

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 to result in smoother sales cycles.

The Company currently has a total of 145 machines (combined livestock and human consumption 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 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.

The Company considers an 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".

Crops

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 at the Pitt Meadows facility. This will allow the Company to actively pursue new markets business lines in the nutraceutical and cosmeceutical space.

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.

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, labour and water.

Acquisition of HydroGreen

In January 2020, CubicFarms completed the acquisition of HydroGreen, Inc. ("HydroGreen"), a south Dakota-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.

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 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 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.

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.

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.

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 (Note 5).

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine months Ended March 31, 2020	Nine months Ended March 31, 2019
	$	$	$	$
Rent	2,500	8,510	7,500	42,310

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 condensed interim consolidated financial statements.

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:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Nine months Ended March 31, 2020	Nine months Ended March 31, 2019
	$	$	$	$
Wages and consulting fees	347,037	183,654	661,667	410,654
Share-based compensation	79,993	99,364	239,979	298,092

On January 28, 2019, the Company completed a private placement with strategic investor 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. As at March 31, 2020, Nu Skin has 10,879,587 common shares.

Outstanding Share Data

As at the date of this MD&A, the Company had 116,219,015 outstanding common shares. The Company also had 29,053,766 share purchase options outstanding at weighted average exercise price of $0.41.

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 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 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 16). As at July 1, 2019 and March 31, 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 Company's financial instruments consist of cash and cash equivalents, amounts receivable, trade payables, customers deposits, demand loan, lease liability, earn out payable and amounts due from an associate. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes the fair value hierarchy under which the Company's financial instruments are valued:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at March 31, 2020, the Company did not have any financial instruments measured at fair value, except for a long-term note receivable from an associate (note 11), categorized within Level 2 of the fair value hierarchy and earn-out payable (note 6), categorized within Level 3 of the fair value hierarchy.

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 March 31, 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 at March 31, 2020, one customer accounted for 76% 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 at March 31, 2020, the following items are denominated in US dollars:

	March 31, 2020	June 30, 2019
	$	$
Cash	128,493	455,646
Accounts receivable	1,484,306	492431
Accounts payable	(387,579)	(43,205)
Customer deposits	(3,213,102)	(585,600)
Lease Liability	(149,662)	-
Earn out Payable	(1,075,915)	-
Net exposure	**(3,213,458)**	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 at March 31, 2020 as compared to June 30, 2019.

A 10% increase or decrease in the US dollar exchange rate would have approx. $321K impact on the Company's net loss.

Subsequent Events

Since March 31, 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.

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.

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 May 29, 2020.