Harvest One Cannabis Inc.

Management's Discussion and Analysis

For the three months ended September 30, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Group" or the "Company") for the three months ended September 30, 2018 and the audited annual consolidated financial statements for the year ended June 30, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A has been prepared as of November 29, 2018 and includes certain statements that may be deemed "forward-looking statements". Investors are directed to the section "*Risks and Uncertainties*" and to page 27 for a statement on forward-looking information included within this MD&A.

BUSINESS OVERVIEW

Harvest One is a global cannabis company that develops and provides innovative lifestyle and wellness products to consumers and patients in regulated markets around the world. The Company's range of lifestyle solutions is designed to enhance quality of life for customers. The Company is based in British Columbia ("BC"), Canada and its common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HVT". Harvest One is a global House of Brands through its wholly-owned subsidiaries: United Greeneries Ltd. ("United Greeneries"), a Canadian Licensed Producer of cannabis; Satipharm Limited ("Satipharm"), the Group's medical and nutraceutical arm; and Dream Water Global ("Dream Water"), the Group's consumer arm. The Company's medical and nutraceutical arm continues to be enhanced with the recent acquisition of PhytoTech Therapeutics Ltd. ("PhytoTech"), an Israeli-based pharmaceutical research and development ("R&D") company. The Company also has exposure to the retail vertical through its investment in Burb Cannabis Corp. ("Burb").

United Greeneries is licensed to produce and sell cannabis under the new *Cannabis Act*. United Greeneries originally received its license to cultivate medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") on June 28, 2016, and on October 13, 2017 received an amendment to its license to allow for the sale of medical cannabis products to the public. Currently, United Greeneries' primary operations are based in Duncan, BC (the "Duncan Facility") with a 10,600 square foot expansion underway. In addition, construction has also commenced at its Lucky Lake property in Saskatchewan for the construction of a 60,000 square foot indoor flowering facility. United Greeneries also received a Dealer's License on June 18, 2018 for its Duncan Facility.

Satipharm is an international medical cannabis brand focused on oral delivery technologies, currently servicing the European, Australian and New Zealand markets. Satipharm holds the exclusive global marketing and distribution rights to the Gelpell® Microgel technology for all cannabis related products.

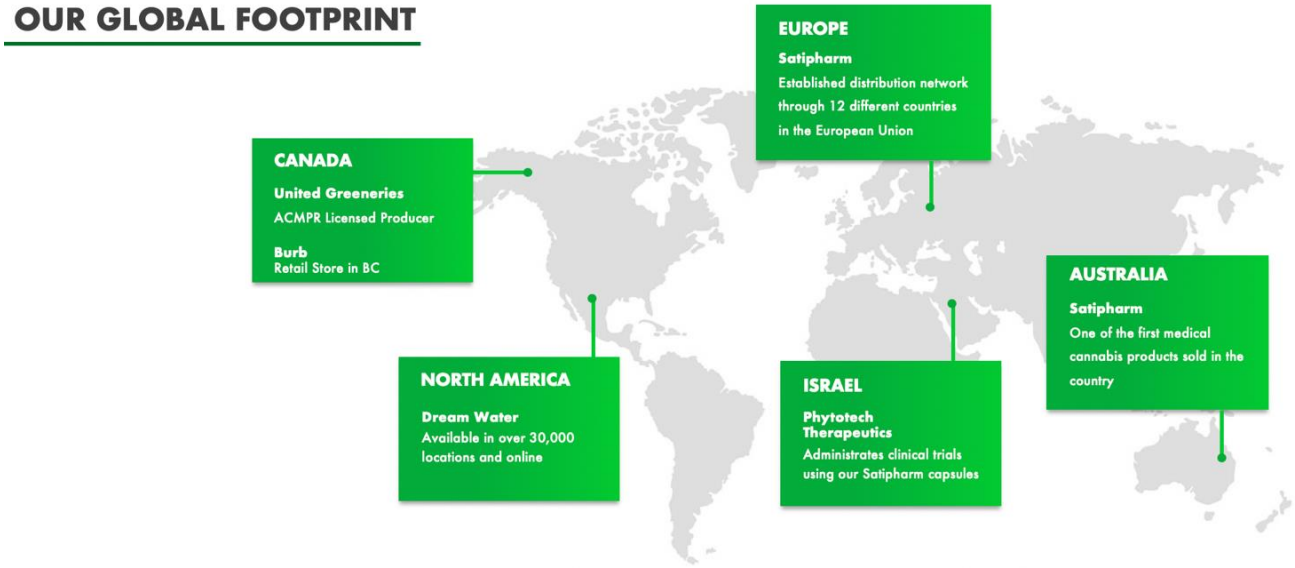
The Company's recent acquisition, PhytoTech, develops cannabinoid-based drug products for a variety of clinical trials to service the medical market. PhytoTech was also responsible for administrating the successful clinical trials using Satipharm's proprietary Gelpell® capsules.

Dream Water manufactures and sells a 74 ml, 0-calorie, liquid sleep shot, which helps promote relaxation and support restful sleep, in both Canada and the United States ("US"). The Company has also developed an individual sleep powder packet which is also sold throughout the US.

Burb are brick and mortar retail stores with two initial stores opening in Port Coquitlam, BC and an anticipated additional 8 to 10 stores by the end of calendar 2019.

HIGHLIGHTS

- The Company closed an agreement with Australian-based MMJ PhytoTech Limited ("MMJ") for the purchase of 100% of Israeli-based PhytoTech (*See Description of Business and Recent Developments – Harvest One; Acquisition of PhytoTech*);
- The Company entered into a multi-year Extraction Services Agreement with Valens GroWorks Corp. ("Valens") for cannabis extraction and value-added services (*See Description of Business and Recent Developments – Harvest One; Valens Extraction Services Agreement*);
- The Company made an investment in Burb, a new BC-based retailer of cannabis and cannabis-related products (*See Description of Business and Recent Developments – Investment in Burb*); and
- The Company appointed a new Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and General Counsel, and members to the Company's Board of Directors, Advisory Board and Senior Leadership Team (*See Description of Business and Recent Developments – Changes in Management and Directors).*



INDUSTRY OVERVIEW

Cannabis Regulatory Framework in Canada

On April 13, 2017, the Canadian government introduced Bill C-45, also known as the *Cannabis Act* (the "Act"), which aims to protect youth, ensure public health and safety, deter criminal activity and reduce the burden on the criminal justice system in relation to cannabis. On June 21, 2018, the Act became law after receiving Royal Assent in the Senate. On October 17, 2018, the Act and its supporting regulations came into force to create a legal market for recreational cannabis by establishing a licensing regime for the production, processing, distribution and sale of recreational cannabis. This was previously prohibited unless authorized under the Controlled Drugs and Substances Act ("CDSA") and its regulations, such as the ACMPR. Provincial governments continue to formalize their own regulations and policies around the significant issues of distribution and sale of recreational cannabis within each province.

The ACMPR, which was introduced in February 24, 2016, has been repealed with the introduction of the Act and previous holders of licenses under the ACMPR are deemed to have licenses under the Act. As such, producers are able to sell both medical and recreational cannabis, as authorized by their licenses. Provinces and territories are now responsible for developing, implementing, maintaining and enforcing systems to oversee the distribution and sale of cannabis and each producer must operate within these systems.

Under the Act, dried flowers, oils, and soft-gels are permitted products in the recreational cannabis market. The federal government has indicated that value-added products such as cannabis edible products and concentrates will be legal for sale approximately one year after October 17, 2018.

International Legislation related to Harvest One Operations

European Union (“EU”)

Although all member countries of the EU must abide by United Nations 1961 Single Convention on Narcotic Drugs, each country is free to set their own nation rules and policy in relation to medical cannabis. Recently, there have been significant legislative changes in EU countries, including the Netherlands, Italy, Ireland, Germany and the United Kingdom (“UK”).

In particular, on January 19, 2017, the German Bundestag voted to legalize cannabis for medical consumption, which came into effect in March 2017. The new legislation limits the sale and use of medical cannabis to patients suffering from multiple sclerosis, epilepsy, chronic pain, and lack of appetite or nausea related to cancer treatments. Through its national health insurance system, Germany will also become the first country in the world to cover the cost of medical cannabis for any therapeutic application approved by a physician. With a population of approximately 80 million people, Germany is expected to become the largest market for medical cannabis in the EU.

Further, in September 2018, the UK Department of Health and Social Care recommended to the UK government that cannabis-derived medicinal products be made available to UK patients. Legislation to allow this is anticipated to be passed in the coming months.

Australia

Legislation came into effect on October 30, 2016 to allow legal cultivation, production and manufacturing of medicinal cannabis products in Australia. This scheme is administered by the Commonwealth Department of Health through the Therapeutic Goods Administration (the "TGA") and the Office of Drug Control. This legislation is designed to work together with the therapeutic goods legislation, and state and territory legislation, to make medicinal cannabis products available to certain patients. The term “medicinal cannabis products” covers a range of cannabis preparations intended for therapeutic use, including pharmaceutical cannabis preparations, such as oils, tinctures and other extracts. Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods (“ARTG”), which is administered by the TGA. However, there are other mechanisms for access to medicines that are not registered on the ARTG ("unapproved therapeutic goods"). Medicinal cannabis products supplied in Australia will use these alternative supply pathways while evidence to support registration is gathered through clinical trials. The Therapeutic Goods Act 1989 establishes the regulatory framework for all medicines in Australia. This legislation provides a number of mechanisms to enable access to unapproved therapeutic goods. These mechanisms maintain the same standards for medicinal cannabis products that apply to any other experimental or emerging medicine.

Cannabidiol (“CBD”)

CBD is one of the non-psychotropic cannabinoids in cannabis industrial hemp. In 2016, 30,000 hectares of cannabis were cultivated in the EU. There has been growing interest in CBD in recent years. CBD is not only alleged to have a plethora of beneficial health effects, but it also has no relevant side-effects, even when it is administered at high doses. CBD is increasingly used as a food supplement and in food supplement compositions, and as an ingredient in cosmetics, thereby generating new investments and creating employment in the cultivation and processing of hemp and hemp-derived products. Pharmaceutical products with CBD as an active ingredient have also been developed.

In the EU, CBD is legal and is not considered a medication. CBD is considered a nutritional supplement and thus is freely available on the open market. However, if CBD is used for medical purposes, it can only be obtained by prescription and must be prescribed by a doctor if it meets certain requirements. The EU market is currently Satipharm's main focus, where the market potential for CBD is estimated to be around €2 billion, according to a 2016 report by the Nova-Institute and HempConsult.

The Sleep Industry

The current global sleep aid market is showing significant growth due to a number of factors: the obesity rates are climbing, the population is aging and therefore more people are developing sleep disorders, everything from sleep apnea, restless leg syndrome, to other sleep disorders. The everyday stress of fast paced, hectic lives, the numerous daily stresses from work, financial, family and elder care, the fluctuating stock market, terrorism attacks, the mass shootings, student debt, and political uncertainty are all resulting in more sleepless nights around the world. Given these factors, there is ample room for future growth of sleep lab and home test devices, CPAP devices, premium mattresses and pillows, over the counter, and prescription medications, apps and other services, which make up the growing sleep aid market.

The global sleep aids market was valued at $49 billion in 2016 and is estimated to reach $80 billion by 2022. In 2013, over the counter revenue of sleeping aids in the US reached around US$402 million, as the major prescription insomnia drugs market has been declining in value due to the expiration of patents and the entry of cheaper generics. These drugs sales in the US total about US$1.4 billion. However, the non-prescription and over the counter sleeping pills market, valued at US$576 million, is the fastest growing part of the category.

According to Statistics Canada and the World Association of Sleep Medicine, more than 17 million adult Canadians suffer from some form of sleep disorder and up to 60% of Canadians are sleep deprived. The fastest growing over-the-counter ("OTC") category in Canada is sleep remedies. It has grown at a rate of +10% year-over-year for the past four years. Sleep disorders have been declared an epidemic in Canada with the lack of sleep having been shown to have a negative effect on health leading to exhaustion, loss in productivity, behavioural changes and even serious illness or accidents. One-third of Canadians sleep less than six hours a night, and research has shown that those suffering from sleep deprivation may be three times more likely to develop diabetes, heart disease and gain weight.

Given the widespread need for improved sleep, consumers are turning to a variety of goods and services which is growing the sleep aid category.

DESCRIPTION OF BUSINESS AND RECENT DEVELOPMENTS

Harvest One

Valens Extraction Services Agreement

On November 14, 2018, the Company entered into a multi-year Extraction Services Agreement (the "Agreement") with Valens for cannabis extraction and value-added services. Valens is a research-driven, vertically integrated provider of cannabis focused on downstream secondary extraction methodology, distillation and cannabinoid isolation and purification. Under the terms of the Agreement, United Greeneries will ship bulk quantities of dried cannabis to Valens over an initial three-year term. Valens will process the cannabis on a fee-for-service basis into bulk resin or other cannabis oil derivative products.

As a component of the Company's product development strategy, Valens will also conduct R&D to support the expansion of Harvest One's product lines including health and wellness products, beverages, vape pens, and nutraceuticals using cannabis oil derivative products. The significance of these products is reflected in the more developed markets in the US where raw flower makes up less than half of the products sold.

Investment in Burb

On September 28, 2018, the Company invested in Burb a new BC-based retailer of cannabis and cannabis-related products committed to initially servicing communities outside of busy metropolitan centres. Burb anticipates opening eight stores in BC by the end of calendar 2019 then acquiring both rural and urban footholds in Alberta, Manitoba, Saskatchewan and Ontario.

Under the terms of the investment agreement the Company invested $1,750,000 to acquire a 19.99% ownership interest as well as five-year warrants which will allow the Company to increase its equity position by a further 11.50% in the future. The agreement also provides for the Company to appoint one Board member to the four seat Board as well as certain other overriding veto rights. Harvest One also has a right of first refusal on all subsequent financings as well as an option to acquire 51% of Burb within five years of it opening its second cannabis retail location.

The Company's current investment in Burb represents the maximum investment permitted by a Licensed Producer in a retail cannabis business under applicable BC law and regulation. It also marks the initiation of Harvest One's cannabis retail strategy, a core pillar of the Company's broader vertically integrated corporate strategy.

Acquisition of PhytoTech

The Company purchased 100% of Israeli-based PhytoTech from MMJ for a combined of $1,000,000 in cash and 8,326,695 common shares using a 10-day volume weighted average closing price of the Company's common shares resulting in a total purchase price of $8,000,000. The transaction required approval by MMJ's shareholders which was obtained on October 5, 2018. With the acquisition, Satipharm gains access to advanced patents in favourable jurisdictions that can be used for further R&D and product development to aggressively pursue the rapidly evolving cannabis market.

Changes in Management and Directors

The Company made some significant changes to its management and Board of Directors in the first quarter of fiscal 2019, to add depth and strengthen the team as the Company rapidly grows the business, as follows:

- On July 3, 2018, the Company appointed Grant Froese as CEO of Harvest One and member of the Board of Directors;
- On July 3, 2018, the Company appointed Andrew Kain as COO and General Counsel;
- On July 3, 2018, the Company appointed Todd Dea as the new President of United Greeneries and Vice President of Operations for Harvest One;
- On September 28, 2018, the Company added the following executives:
    - Ann Gallery joined Harvest One as Senior Vice President of Corporate Communications;
    - Gord Davey joined Harvest One as Senior Vice President of Global Sales; and
- On September 28, 2018, the Company appointed Frank Holler to the Board of Directors and David Hyde to the newly formed Harvest One Advisory Board.

Additionally, on October 22, 2018, Will Stewart, who previously resigned from the Board of Directors due to a conflict of interest, rejoined the Company as the Senior Vice President, Corporate and Public Affairs.

During the quarter, Andreas Gedeon resigned from his position as CEO and from the Board of Directors. In accordance with the terms of the mutual separation agreement Mr. Gedeon was paid severance of $750,000. Stephen Dick, Chief Marketing Officer, also left the company to pursue other opportunities.

United Greeneries

United Greeneries is licensed to produce and sell cannabis under the provisions of the Act at its Duncan Facility located in Duncan, BC. United Greeneries has several other projects under various stages of development. The Duncan Facility expansion is a pre-built 10,600 square foot, modular expansion on the Mission Road site, adjacent to the Duncan Facility, with the first module placed on site and currently in the finishing stages of construction and three additional modules to be placed onsite in a staggered construction phase over the next four months. The Mission Road site will be licensed under the current Duncan Facility with an amendment to the existing license underway with Heath Canada. Construction has also commenced on United Greeneries' 60,000 square foot indoor expansion on the Lucky Lake Facility.

United Greeneries is focused on producing and selling premium quality, craft cannabis for the recreational market and medical cannabis and its derivatives for the medicinal market. United Greeneries has delivered its craft cannabis to BC, Ontario, Manitoba and Saskatchewan, as per its previously announced provincial supply agreements and approvals. In each of these provinces, United Greeneries has supplied a variety of SKUs from its Royal High branded line of premium quality dried flower products.

On July 31, 2018 and October 1, 2018, United Greeneries entered into supply agreements with the BC Liquor Distribution Board and Manitoba Liquor and Lotteries Corp, respectively, and United Greeneries was also successfully approved as a registered supplier with the Saskatchewan Liquor and Gaming Authority. Further on September 6, 2018, United Greeneries entered into a supply agreement with the Ontario Cannabis Retail Company to supply 15 SKUs of its premium quality Royal High branded cannabis through the Ontario Cannabis Store online portal until the launch of the private retail system, currently scheduled for April 2019.

On June 18, 2018, United Greeneries received a Dealer's License pursuant to the CDSA. The license allows United Greeneries to: (i) import narcotics into Canada, including Satipharm's signature Gelpell® Microgel CBD capsules; (ii) export its medical cannabis products to other markets with favourable medical cannabis regulations; and (iii) further engage in R&D of cannabis infused products.

Duncan Facility

The Duncan Facility is situated on a 1.2-acre property that was previously the cold storage building for a large commercial greenhouse growing operation located directly adjacent to a 40-acre land package located on Vancouver Island, BC. The Duncan Facility has approximately 10,000 square feet of cultivation area and high compliance items such as a Level 8 Narcotics Vault and an in-house biochemical and analytical laboratory. The Duncan facility operates at maximum capacity of approximately 750 kg of cannabis per annum. United Greeneries is licensed to produce and sell dried cannabis under the Act and is also a licensed dealer under the CDSA.

On land adjacent to the Duncan Facility, which United Greeneries has under lease, a modular expansion is currently underway that will more than triple the output of the Duncan Facility in calendar 2019. The modular expansion will encompass the addition of four modules adjacent to the Duncan Facility. The first two modules (Phase 1), are expected to be completed in the first quarter of calendar 2019. The remaining two modules (Phase 2) are expected to be completed in the second quarter of calendar 2019. Cultivation is expected to commence shortly after completion of each phase. The resulting increased capacity will enable United Greeneries to better serve its Provincial and private partners in the recreational cannabis market. The modular expansion of the Duncan Facility represents a site B application for licensing purposes. United Greeneries expects licensing of the modules by Health Canada to be completed in the first or second quarter of calendar 2019.

On February 28, 2018, United Greeneries launched a new online retail platform for medical clients. The United Greeneries sale platform allows registered medical users to log in under their own unique profile to browse and shop our full product offerings. The product offering includes two main brands, labeled as Royal High and Captain's Choice; each brand offers the consumer multiple strains for purchase. The platform also offers a customer focused experience while providing the Company with essential customer feedback information to enhance our customer and product offering. The Company continues to focus on establishing its brand within the ever-expanding recreational cannabis market.

Lillooet Outdoor Growing Site

On December 18, 2017, United Greeneries entered into a binding purchase agreement for 398 acres of agricultural land (the "Property") just outside Lillooet, BC. The acquisition of the Property was completed in February 2018. The purchase price for the Property was $964,000. With the passage of the Act, the Canadian government has indicated that it will allow outdoor growing for recreational cannabis producers. The Company is currently advancing site preparation on the Property for the 2019 growing season and is evaluating plans for a test site to help to determine the viability of various strains for use in the BC environment.

Lucky Lake Facility

The Lucky Lake Facility, located in Lucky Lake, Saskatchewan, is a 62,000 square foot concrete agricultural facility located on over 18 acres of land which is wholly-owned by United Greeneries. Construction has commenced at the Lucky Lake Facility with a revised design which will initially produce approximately 8,000 kg of premium-quality, craft cannabis. The Company has also submitted its Licensed Producer application and is now advancing through the final stages of approval with Health Canada and expects construction to be complete and the initial licensing under the new Act to occur in the third quarter of the 2019 calendar year, with the first harvest expected in fourth quarter of calendar 2019. United Greeneries is also assessing the additional acreage of the property and exploring the option of utilizing this additional property to grow hemp outdoors in order to support the Company's extraction needs. In 2017, Saskatchewan had approximately 23,000 hectares dedicated to the cultivation of industrial hemp which gives the Company a deep pool of local, specialized knowledge to draw from as the outdoor growing potential of the property is assessed.

United Greeneries has also received substantial support from the municipal and provincial governments to build this facility to its maximum potential and it is expected that United Greeneries will add 65 local professionals to its team, adding substantially to the local economy. United Greeneries is also exploring educational alliances with local universities, colleges and technical schools in Saskatchewan to further explore research and development and educational advancement opportunities.

Terminated Projects

The Company entered into a lease agreement on April 20, 2018 for a lower mainland site, located in Aldergrove, BC (the "Lease") for the construction of a 59,000 square foot facility. The site is located on land included in the Agricultural Land Reserve ("ALR") as governed by the *Agricultural Land Commission Act* of BC. On July 13, 2018, the ALR Regulations were amended to allow Local and First Nations governments to prohibit cannabis production in the ALR within their communities, unless the product is grown in a way that preserves the productive capacity of the agricultural land, essentially giving local and First Nations' governments the ability to prohibit industrial-style, cannabis-production facilities within ALR land. The Company has recently completed a feasibility audit of the Aldergrove site and, in light of the results and the regulatory changes, has decided not to proceed with this facility. The Company has terminated the Lease in accordance with its terms.

With the commencement of the modular expansion on the land adjacent to the Duncan Facility, other planned projects for the previously vacant land were terminated and the corresponding costs capitalized for those projects were written-off.

Outlook

United Greeneries' plans through the remainder of the 2018 calendar year and into 2019 are to expand its indoor growing capacity to 20,000 kg annually in order to satisfy provincial and private retailer demand for its premium-quality craft indoor grown flower. By completing the ramp up of its cultivation operations, United Greeneries will more than triple the production capacity at the Duncan Facility and complete construction and commence growing at the Lucky Lake and another Ontario-based site it is currently exploring. Over the coming year, United Greeneries also intends to develop artisanal products for the next phase of legalization such as edibles and cannabis extracts.

Satipharm

Satipharm specializes in the development and manufacturing of cannabis-based medical products and is Harvest One's medical and health brand. Satipharm is an international medical cannabis brand with focus on oral delivery technologies for strategic entry into emerging medical cannabis markets and the existing medical cannabis market in Europe, Canada and Australia.

Satipharm's goal is to develop cutting-edge technology and pharmaceutical-grade cannabis products for the medical and health-based cannabis markets. Satipharm holds the exclusive global marketing and distribution rights to the Gelpell® Microgel technology for all cannabis related products.

Gelpell® Microgel Process

The Gelpell® Microgel process produces gelatin beads which are approximately 2 mm in length and contain a payload of concentrated cannabinoids. The cannabinoids are bound and protected by a three-dimensional natural gelatin matrix. Phase 1 clinical trials results demonstrated that when ingested, the gelatin beads create a micro-emulsion which substantially enhances the oral bioavailability of the cannabinoids and helps ensure accurate and consistent doses. These beads are encapsulated and packaged under Good Manufacturing Practices ("GMP") protocols into 10 mg and 50 mg capsules.

Satipharm's first product is a purified CBD only product, sold as CBD Gelpell® Microgel Capsules ("CBD Capsules"). Satipharm's CBD Capsules utilize cannabis extract acquired from a pharmaceutical compound manufacturer based in St. Gallen, Switzerland that is a GMP-certified company that specializes in the production, breeding, cultivation, harvesting and processing of cannabis plants for food and medicine.

The CBD Capsules are contract manufactured by GelPell AG ("GelPell"), located in Gähwil, Switzerland. GelPell is a contract manufacturer of food supplements and is licensed by SwissMedic, the applicable Swiss regulatory authority, and GMP approved to perform pharmaceutical production and packaging.

In August 2017, Satipharm's Patent Cooperation treaty application for the formulation of anything cannabis and cannabis-related in Gelpell® (originally submitted in February 2017) was published. In 2018, Satipharm and Gelpell AG were granted patent approval for any Gelpell® variants formulated with cannabinoids.

CURRENT SATIPHARM PRODUCTS

Gelpell® Microgel Capsules

Development of Products

Through an agreement between the two companies, Satipharm has licensed from GelPell the exclusive worldwide right, subject to minimum purchase requirements, for the delivery of CBD, tetrahydrocannabinol ("THC") and/or other cannabis and hemp derived ingredients using the Gelpell® formulation and manufacturing know-how that is owned by GelPell.

Satipharm and GelPell cooperated to design the Satipharm's CBD Capsules in a formulation that seeks to best suit delivery of cannabinoid molecules for human use. Leveraging the GelPell formulation expertise, Satipharm's CBD Capsules were developed for sale as a food supplement in regulated markets within the EU. Satipharm began production of its CBD Capsules in May 2015.

Satipharm is now in the process of finalising the formulation of a new Gelpell capsule utilising a full spectrum extract of Cannabis sativa L that will meet the classification of a European Food Safety Authority Food Supplement. The Company is on track to launch this new variant in early 2019 and build distribution throughout regulated markets globally.

Following the launch of the full spectrum 10 mg Gelpell variant, Satipharm will pursue a strategy of adding additional CBD and THC variants to its range of products. The proposed product pipeline may include nanotechnology soft gels, oils, inhalational pens, oral sprays and topical creams.

POTENTIAL SATIPHARM PRODUCTS

Pro-Nanosphere Softgel | Oil | Inhalational Pen | Rapid Oral Spray | Topical Creams

PhytoTech and Satipharm's Medical Testing

Following the acquisition of PhytoTech, Satipharm now holds and manages the licenses for the pharmaceutical application of the Gelpell® Microgel process as part of Satipharm's clinical development activities.

In March 2016, PhytoTech completed a phase 1 clinical study comparing the pharmacokinetic profile and relative bioavailabilityy of Satipharm's CBD capsules against the reference product (Sativex oromucosal spray). The study showed that Satipharm's CBD capsules have a considerably higher bioavailability than Sativex, in a pharmaceutical-grade, user-friendly oral formulation that demonstrated safe and efficient delivery of CBD.

The results of this clinical study were published in Clinical Pharmacology in Drug Development ("CPDD") - an international peer-reviewed medical journal and the official journal of the American College of Clinical Pharmacology. The article "Single-Dose Pharmacokinetics of Oral Cannabidiol Following Administration of PTL101: A New Formulation Based on Gelatin Matrix Pellets Technology" was published in November 2017.

In June 2018, PhytoTech completed a phase 2 clinical study into the efficacy of Satipharm's CBD Capsules in treating intractable epilepsy in children at a leading Israeli healthcare facility. The results demonstrated that Satipharm's CBD capsules significantly reduced monthly seizures in treatment resistant children when added to current medications. The median reduction was -82% in the 12-week treatment period. Satipharm will present a summary of the study at the Epilepsy Society of Australia's 32nd Annual Scientific Meeting and will look to publish the detailed study results in an appropriate medical journal in due course.

Marketing and Distribution

In the prior fiscal year, Satipharm's strategy was to continue to expand its distribution network and increase sales across the EU, on the understanding that Satipharm was the only company in Europe with GMP grade nutraceutical CBD products. Satipharm obtained a "Free Sale Certificate" from German authorities, which reduced constraints for international exports and removed final regulatory trading impediments with other EU jurisdictions. The Free Sales Certificate officially established Satipharm's CBD Capsules as a food supplement rather than a "Novel Food", and therefore clarified certain legal concerns that had previously obstructed Satipharm's capsule marketing in some jurisdictions. As a result, Satipharm's distribution network expanded in 2017 and 2018 with a focus on large European consumer markets, including Denmark, UK, Netherlands, Spain and Austria.

In the second quarter of fiscal 2017, the Swiss Food Safety Organization requested approval from Germany, the UK and Ireland for the export of Satipharm's CBD Capsules to those respective countries. Swiss law only allows for exportation of food which does not comply with Swiss Food law if the receiving country accepts the importation of the goods. Although Satipharm possessed the Free Sale Certificate outlining that the product was a food supplement, rather than a Novel Food, the German and Irish authorities took the stance that the product was a Novel Food and therefore disallowed exports of the product to those countries. The UK recognized the product as a food supplement and the Company continued to export its product there. Further, as the Company's distribution hub for the EU was located in Germany, Satipharm was unable to distribute its product in the EU resulting in significantly reduced sales. The Company moved its distribution hub to the UK from Germany in May 2018.

At this time, the European Food Safety Authority amended its definition of extracts of cannabis sativa L in which CBD levels are higher than the CBD levels in the source Cannabis sativa L to be classified as novel in food. As a result, the sale of Satipharm's pharmaceutical grade, enriched CBD extract Gelpell capsule was no longer permitted in the EU.

Satipharm is now in the process of finalising the formulation of a new Gelpell capsule utilising a full spectrum extract of Cannabis sativa L that will meet the classification of a European Food Safety Authority Food Supplement. The Company is on pace to launch this new variant in the second or third quarter of fiscal 2019 and build distribution throughout regulated markets globally.

In fiscal 2018, Satipharm successfully exported its capsules to Australia making the capsules one of the first medicinal cannabis products available to approved prescribers in the country and in November 2017, Satipharm's Australian distribution partner commenced distribution of Satipharm's Gelpell® CBD Capsules to approved patients, establishing the Company as a market leader in Australia. Advancing sales in Australia will continue to be a major priority for management to ensure the Company capitalizes on its first-mover advantage in this market. Satipharm has also commenced registration of the Gelpell® CBD capsules in other markets as an unlicensed or special access medicine.

Subject to regulatory approval from Health Canada, Satipharm also plans to launch its range of medicinal cannabis products in the Canadian market in the third quarter of the 2019 calendar year.

Dream Water

Dream Water is an all-in-one, natural sleep solution that helps promote relaxation and restful sleep. Dream Water is currently available in two easy to use formats, 74 ml liquid sleep shots and 3 g sleep powders. The trademarked Dream Water non- drowsy SleepStat™ Natural Blend was developed in response to the need for an effective alternative to traditional antihistamine based OTC and prescription sleep-aids. Research has shown that prescription sleep aids have significant side effects including short-term memory loss, dependency, and worsened sleep quality when used long term.

Dream Water has been approved by Health Canada and the Food and Drug Administration in the US as a safe, effective and high-quality natural health product when used as directed. The Dream Water SleepStat™ Natural Blend is safe, fast acting and features melatonin, GABA and 5-HTP, three heavily researched key ingredients that help people fall asleep, stay asleep and wake up feeling refreshed.

- MELATONIN helps govern your body's internal clock that regulates your natural cycle of sleeping and waking and has been shown to work effectively in 84% of the population.

- GABA helps you relax and reduce anxiety by blocking the transmission of impulses from one cell to another in the central nervous system.

- 5-HTP helps promote sleep and relaxation and improve the quality of sleep by stimulating the production of melatonin.

Dream Water currently has two distinct product lines: relaxation and beauty. Each of the lines is carefully designed to offer a different experience for the consumer based on their lifestyle. The Dream Water formula is flexible and can be formulated into a variety of delivery methods beyond liquids including gummies, gels and strips. Dream Water recently been NSF certified for sport programs which allows the Company to sell its products to professional sport teams and athletes who undertake drug testing.

Harvest One's acquisition of Dream Water positions the Company as a first mover both in the global cannabis and sleep markets, two robust industries that are expanding rapidly.

CURRENT DREAM WATER PRODUCTS

Dream Water
Liquid Sleep Shots

Dream Water Snoozeberry Powder
(10 pack)

Dream Water Beauty
Liquid Sleep Shot

Operations and Distribution

Dream Water has corporate offices in Toronto, Ontario and Miami, Florida allowing for both the Canadian and US markets to be serviced with domestic employees, sales staff and local broker networks. Located in over 30,000 outlets, Dream Water is currently sold through industry leading grocery (Publix), drug (CVS/Walgreens, Shoppers Drug Mart) and convenience (7-11, Circle K) retailers across North America. Additionally, North American airports (Hudson News) and e-commerce platforms (Amazon) continue to be major growth opportunities the Company is focusing on.

Dream Water has recently hired multiple senior sales executives, formerly of Red Bull Canada and the Coca-Cola Company to help navigate the brand's growth in both the US and Canadian markets. This opportunity has been attractive to many as it has allowed for traditional consumer packaged goods executives to align themselves with the quickly growing cannabis industry.

Expansion Plans

Dream Water continues to think forward with respect to international compliant formulas and line extensions in both the relaxation and CBD markets with focused lines of products with multiple delivery mechanisms for both categories. Some examples of the potential product pipeline are as follows:

POTENTIAL DREAM WATER PRODUCTS

Dream Water Snoozeberry
CBD
Gummy/Edible

Dream Water Snoozeberry
CBD
Spray

Dream Water
CBD
Snoozeberry Powder
(10 pack & 5 pack)

Dream Water
CBD
Sport

Dream Water Beauty
CBD
Gummy/Edible

Dream Water Beauty
CBD
Spray

Dream Water will be executing a new packaging design and new marketing programs for the 2019 calendar year. The focus will be providing a cleaner, easier to understand value proposition as well a dedication to education.

RESULTS OF OPERATIONS

Selected Operational Information	For the three months ended September 30 2018 $	2017 $
Revenue	**1,679,291**	174,544
Gross profit (loss)	**578,087**	(6,168)
Operating expenses	**6,395,405**	1,805,742
Loss from operations	**(5,817,308)**	(1,811,910)
Net loss	**(5,795,474)**	(1,888,184)
Net loss per share – basic and diluted	**(0.03)**	(0.02)
Weighted average number of common shares	**173,621,452**	89,177,458

Selected Statements of Financial Position Information	September 30 2018 $	June 30 2018 $
Cash	**48,321,139**	56,845,541
Biological assets	**976,924**	904,017
Inventories	**5,497,032**	4,743,966
Other working capital	**(50,876)**	(1,438,179)
Non-current assets	**45,918,817**	43,856,387
Shareholders' equity	**100,663,306**	104,911,732

Net Loss and Comprehensive Loss

The Company operates in three reportable segments: Cultivation (United Greeneries), Medical and Nutraceutical (Satipharm), and Consumer (Dream Water). The main fluctuations in the net loss and comprehensive loss for the periods ended September 30, 2018 and 2017 is as follows:

	Three months ended September 30, 2018				Three months ended September 30, 2017			
	Cultivation $	Medical and Nutraceutical $	Consumer $	Total $	Cultivation $	Medical and Nutraceutical $	Consumer $	Total $
Revenue	**607,750**	**–**	**1,071,541**	**1,679,291**	–	174,544	–	174,544
Production costs	**(647,777)**	**–**	**–**	**(647,777)**	(558,523)	–	–	(558,523)
Inventory expensed to cost of sales	**(33,232)**	**–**	**(1,126,478)**	**(1,159,710)**	–	(152,316)	–	(152,316)
Gross profit (loss) before fair value adjustment	**(73,259)**	**–**	**(54,937)**	**(128,196)**	(558,523)	22,228	–	(536,295)
Realized fair value amounts included in inventory sold	**(503,446)**	**–**	**–**	**(503,446)**	–	–	–	–
Change in fair value of biological assets	**1,209,739**	**–**	**–**	**1,209,739**	530,127	–	–	530,127
Gross profit (loss)	**633,034**	**–**	**(54,937)**	**578,097**	(28,396)	22,228	–	(6,168)

Revenue and Cost of Sales

Revenue

Revenue increased to $1,679,291 for the three months ended September 30, 2018, compared to $174,544 in the same period in 2017. This 862% increase in revenue is due to Dream Water sales of $1,071,541 and bulk sales of cannabis to other Licensed Producers and an initial recreational cannabis sale to the Province of BC totalling $607,750. This increase was partially offset by no sales of Satipharm's CBD Capsules throughout Europe in the current period as the Company is in the process of reformulating the product and is expected to relaunch the CBD Capsules in the first quarter of calendar 2019.

Cost of sales

The cost of production is expensed through cost of sales and represents overheads and other production costs of growing and selling cannabis plants. Cost of inventory is recognized as an expense to cost of sales when inventory is sold. For the Cultivation segment, production costs are expected to vary from quarter to quarter based on the number or pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the period. For the Medical and Nutraceutical and Consumer segments, costs of sales per unit is expected to decrease as economies of scale are achieved.

Included in the Consumer segment under inventory expensed to cost of sales is a non-cash fair value charge of approximately $450,000 related to the inventory acquired from the acquisition of Dream Water which was subsequently sold during the three months ended September 30, 2018.

Change in fair value of biological assets

Change in fair value of biological assets increased by $679,612 for the three months ended September 30, 2018, compared to the same period in 2017. Plants in the pre-harvest stages are considered biological assets and are capitalized on the balance sheet at fair market value less costs to sell at their point of harvest. As they continue to grow through the pre-harvest stages, a corresponding non-cash gain is recognized in income through gross profit, reflecting the change in fair value of the biological assets. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory.

Operating Expenses

	For the three months ended September 30	
	2018	**2017**
	$	**$**
Brand development and marketing	**594,506**	51,891
Depreciation and amortization	**78,449**	47,620
General and administration	**202,738**	135,134
Insurance	**103,450**	26,364
Investor relations	**58,547**	60,820
Professional and consulting services	**594,385**	113,593
Regulatory	**734**	15,250
Rent	**81,557**	45,815
Salaries, bonus and benefits	**1,417,998**	530,636
Severance and reorganization costs	**1,115,374**	–
Share-based compensation	**1,574,813**	718,986
Terminated projects	**332,106**	–
Travel	**240,748**	59,633
	6,395,405	1,805,742

Total operating expenses increased by $4,589,663 for the three months ended September 30, 2018, compared to the same period in 2017, primarily due to the continued ramp up of operations leading to an increase in headcount throughout the Company and the issuance of stock options. The main fluctuations in operating expenses are as follows:

Brand development and marketing

Marketing increased by $542,615 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to the Company continuing to create brand awareness of its cannabis products and Dream Water product lines.

Depreciation and amortization

Depreciation and amortization increased by $30,829 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to the increase in amortization of the Company's intangible assets.

General and administration

General and administration expenses increased by $67,604 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to spending on office supplies and information technology support and software across all operations.

Insurance

Insurance increased $77,086 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to increased coverage as a result of the Company being listed on the TSX-V and the Company's expanding operations.

Professional and consulting services

Professional and consulting services increased by $480,792 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to increased audit and tax fees and consultants' fees as the Company executes on its expansion plans.

Rent

Rent increased by $35,742 for the period ended September 30, 2018, compared to the same period in 2017, primarily due to the rent incurred from the office leases for the Dream Water operations in Toronto, Ontario and Miami, Florida.

Salaries, bonus and benefits

Salaries, bonus and benefits increased by $887,362 for the period ended September 30, 2018, compared with the same period in 2017, primarily due to the addition of members of the executive team and employees at the Vancouver office, the Duncan Facility, and Dream Water operations as the Company increased its operations and pursued its expansion plans.

Severance and reorganization costs

Severance and reorganization costs increased by $1,115,374 for the period ended September 30, 2018, compared to the same period in 2017, due to reorganization of the Senior Leadership team which resulted in a severance payment of $750,000 to the former CEO of the Company and the remaining $365,374 related to other senior management positions within the Company.

Share-based compensation

Share-based compensation increased by $855,827 for the period ended September 30, 2018, compared to the same period in 2017, as a result of the vesting of stock options issued throughout the 2018 calendar year. Additionally, the increase in share-based compensation expense included $303,695 representing the fair value of the performance appreciation rights ("PAR") issued in July 2018.

Terminated projects

Terminated projects increased by $332,106 for the period ended September 30, 2018, compared to the same period in 2017, due to the write-off of capitalized costs in construction in progress and prepaid expenses and deposits related to: (1) the Company not proceeding with the Aldergrove site; and (2) the previously planned projects on the vacant land adjacent to the Duncan Facility prior to the commencement of modular expansion on the land.

Travel

Travel expenses increased by $181,115 for the period ended September 30, 2018, compared to the same period in 2017, due to the Company's increased operations, investor relations and business development activities.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had cash of $48,321,139 and working capital of $54,744,219 compared with cash of $56,845,541 and working capital of $61,055,345 at June 30, 2018. The decrease was mainly the cash used to fund operations of $6,076,971, cash invested in Burb of $1,765,000, and cash used to acquire property, plant and equipment of $655,391.

Cash used in investing activities was $2,422,491 during the period ended September 30, 2018, compared with $427,523 in the same period in 2017. The expenditures this period were primarily related to the investment in Burb and continuing expansion of the Lucky Lake Facility and Duncan Facility.

The nature of the Company's current business is the cultivation and sale of cannabis, the production and sale of CBD capsules, and the production and sale of sleep aid consumer packaged goods. However, future inflows of cash are dependent on actions by management achieving profitable operations and raising additional capital. Management believes, should it be necessary, it will be able to raise equity capital as required in the long-term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity and debt subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable. If the Company is unable to achieve profitable operations or raise any additional funds it may require, it could have a material adverse effect on its financial condition.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue $	Gross profit (loss) $	Net loss $	Basic and diluted loss per share $
September 30, 2018	1,679,291	578,087	(5,795,474)	(0.03)
June 30, 2018	513,688	(993,027)	(4,951,593)	(0.03)
March 31, 2018	33,003	1,144,618	(2,424,609)	(0.02)
December 31, 2017	4,740	392,587	(3,342,347)	(0.04)
September 30, 2017	174,544	379,640	(1,888,184)	(0.02)
June 30, 2017	63,316	246,22	(5,509,837)	(0.10)
March 31, 2017	9,634	6,150	(1,635,997)	(0.03)
December 31, 2017	–	–	(521,578)	(0.01)

SHARE CAPITAL

The Company has an unlimited number of common shares authorized and the following securities outstanding:

	September 30 2018	As at the date of this MD&A
Common stock	173,621,452	182,098,147
Warrants	3,376,468	3,226,468
Brokers' warrants	800,036	800,036
Secondary warrants	500,000	500,000
Convertible debentures warrants	5,901,282	5,901,282
Units Offering warrants	22,115,385	22,115,385
Brokers' compensation units warrants	663,461	663,461
Dream Water warrants	517,000	517,000
Stock options	16,908,333	15,375,000
Performance appreciation rights	2,500,000	2,500,000

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following expenses were paid to key management personnel of the Company:

	For the three months ended September 30	
	2018	2017
	$	$
Salaries, bonus and benefits	**1,256,368**	189,808
Severance costs	**786,969**	–
Consulting fees	**–**	69,562
Directors' fees	**24,000**	36,000
Share-based compensation	**1,486,854**	501,856
Total	**3,554,191**	797,226

As at September 30, 2018, there was $24,000 directors' fees owing (June 30, 2018 – $27,000) included in accounts payable and accrued liabilities.

During the period ended September 30, 2018, the Company paid $12,715 (September 30, 2017 – $13,977) in legal fees to a law firm owned by a director of the Company.

Prior to the reverse take-over, the operational and funding requirements of the Company were supported by MMJ. During the period ended September 30, 2017, the Company repaid $5,892 of the amount outstanding to MMJ.

On August 30, 2018, the Company was named defendant in a civil claim filed by the former CEO of the Company for breaching a mutual separation and settlement agreement between the Company and the former CEO. The Company settled the claim for approximately $750,000 which is included in severance and reorganization costs in the three months ended September 30, 2018.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries enter into contractual agreements from time to time relating to on-going business activities. As at September 30, 2018, the Company has the following total commitments:

	Less than 1 year $	Between 2 to 5 years $	Over 5 years $	Total $
Operating lease commitments	271,897	1,512,072	776,615	2,560,584
Purchase commitments	675,495	2,255,716	–	2,931,221
	947,392	**3,767,788**	**776,615**	**5,491,795**

On August 29, 2018, the Company entered into a six-year lease agreement for office space in Vancouver, BC. Commencing on October 1, 2019, the Company will pay monthly rent at a rate of $23,333. The current office lease agreement was amended and will expire on April 29, 2019.

During the period ended September 30, 2018, the Company entered into two lease agreements for the Company's Dream Water operations: (1) a five-year lease agreement in Toronto, Ontario with monthly rent at a rate of $4,180 commencing on July 9, 2018; and (2) a three-year lease agreement in Miami, Florida with monthly rent a rate of US$3,500 ($4,531) commencing on October 1, 2018.

On May 31, 2017, the Company entered into an agreement with GelPell AG for the exclusive marketing, distribution and sale of the GelPell capsules worldwide. As part of this agreement, the Company has yearly minimum purchase commitments.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at September 30, 2018, the Company is exposed to foreign currency risk through its bank accounts denominated in Swiss Francs ('CHF"), Euros ("Euros"), and US Dollars ("USD"). A 10% appreciation (depreciation) of the CHF, Euro, or USD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at September 30, 2018, the Company is not exposed to any significant credit risk.

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. Included in net loss for the year is interest expense on convertible debentures and interest income on Canadian dollar cash. As at September 30, 2018, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has working capital of $54,744,219. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

During the period ended September 30, 2018, there were no transfers of amounts between fair value levels. Cash is classified as Level 1 financial instruments.

Accounts receivable and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. Warrants in associate will be measured at fair value at the end of each reporting period with changes in fair value being recognized in other comprehensive loss in the period.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of Harvest One that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and Harvest One may face additional risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to Harvest One's business have the potential to influence its operations in a materially adverse manner.

Risk's Relating to Harvest One's Business

General Business Risk and Liability

Given the nature of Harvest One's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing Harvest One, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Harvest One's right to carry on its existing business. Harvest One may incur significant costs in connection with such potential liabilities.

Reliance on Licenses

The continuation of Harvest One's business of growing, storing and distributing medical and recreational cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. United Greeneries, a wholly-owned subsidiary of Harvest One, was granted the License by Health Canada on June 28, 2016 designating United Greeneries as a "Licensed Producer," as such term was defined under the ACMPR. On June 18, 2018, United Greeneries was granted a Dealer's License by Health Canada pursuant to the Narcotic Control Regulations of the CDSA. The Dealer's License allows United Greeneries to import and export narcotics and engage in further research and development of cannabis infused products.

With the Act which came into force on October 17, 2018, United Greeneries has now migrated to valid, equivalent licenses under the Cannabis Regulations. The License is valid until June 26, 2020, at which point, United Greeneries must apply to Health Canada for a renewal. The equivalent Dealer's License that United Greeneries will migrate to under the Cannabis Regulations has an expiry date of December 31, 2019.

Failure to comply with the requirements of the License and Dealer's License or any failure to maintain the License and Dealer's License would have a material adverse impact on the business, financial condition and operating results of Harvest One. Although Harvest One believes it will meet the requirements of the Cannabis Regulations for future extensions or renewal of the License and Dealer's License, there can be no guarantee that Health Canada will extend or renew the License and Dealer's License or that, if extended or renewed, the License and Dealer's License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License and Dealer's License or should it renew the License Dealer's License on different terms, the business, financial condition and results of operations of Harvest One would be materially and adversely affected.

Share Price Volatility

The market price for Harvest One common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Harvest One's control, including the following:

- actual or anticipated fluctuations in Harvest One's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which Harvest One operates;
- addition or departure of Harvest One 's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Harvest One common shares;
- sales or perceived sales of additional Harvest One common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;

- regulatory changes affecting Harvest One's industry generally and its business and operations;
- announcements of developments and other material events by Harvest One or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Harvest One or its competitors;
- operating and share price performance of other companies that investors deem comparable to Harvest One or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Harvest One's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of medical and recreational cannabis companies that are public issuers in Canada. Accordingly, the market price of Harvest One common shares may decline even if Harvest One's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, Harvest One's operations could be adversely impacted and the trading price of Harvest One common shares may be materially adversely affected.

Reliance on the Facilities

Harvest One currently operates one facility: the Duncan Facility. Presently, only the Duncan Facility is licensed by Health Canada to cultivate and sell cannabis. Harvest One's operations and the conditions of its facility are, and will be, subject to hazards inherent in the medical and recreational cannabis industries, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting the Duncan Facility, may have a material adverse effect on Harvest One's business, results of operations and financial condition.

Holding Company Status

Harvest One is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. Harvest One conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. Harvest One's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Harvest One. The ability of Harvest One's subsidiaries to pay dividends and other distributions will depend on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of Harvest One's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Harvest One.

Limited Operating History

Harvest One, through its wholly owned subsidiary United Greeneries, entered the medical cannabis business in 2012 and the recreational cannabis market in October 2018. Harvest One is therefore subject to many of the risks common to entering a new area of investment, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and a lack of revenue. There is no assurance that Harvest One will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

History of Net Losses

Harvest One has incurred operating losses in recent periods. Harvest One may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Harvest One expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Harvest One’s revenues do not increase to offset these expected increases in costs and operating expenses, Harvest One will not be profitable. There is no assurance that Harvest One will be successful in achieving a return on shareholders’ investments and the likelihood of success must be considered in light of its early stage of operations.

Unfavourable Publicity or Consumer Perception

The success of the medical and recreational cannabis industries may be significantly influenced by the public's perception of cannabis' medicinal and recreational applications. Medicinal and recreational cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favourable. The medical and recreational cannabis industries are early-stage businesses that are constantly evolving with no guarantee of viability. The markets for medical and recreational cannabis are uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical and recreational cannabis may have a material adverse effect on Harvest One's (and Harvest One's subsidiaries') operational results, consumer base and financial results.

Third Party Transportation

Harvest One relies on third party transportation services to deliver its products to its customers. Harvest One is exposed to the inherent risks associated with relying on third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on Harvest One's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect Harvest One's status as a Licensed Producer or Licensed Dealer.

Management of Growth

Harvest One may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Harvest One to manage growth effectively will require continued implementation and improvement of their operational and financial systems and for each to expand, train and manage their respective employee bases. The inability of Harvest One to deal with growth may have a material adverse effect on Harvest One's respective businesses, financial conditions, results of operations and prospects.

Integration Risk

With the acquisition of Dream Water and PhytoTech, the Company has the following integration risks: the challenge of implementing uniform standards, controls procedures and policies; the challenge of upholding consistent systems and procedures; the inability to integrate, train, retain and motivate key personnel; the inability to maintain operating efficiency; disruption of Harvest's ongoing business and the distraction of management from its day-to-day operations; and the potential impairment of relationships with the employees of Dream Water and PhytoTech, customers and strategic partners. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations and will depend upon the Company's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it would hope to achieve with the acquisitions**.** Any difficulties in this process could disrupt the ongoing business, distract its management, result in the loss of key personnel, increase its expenses and otherwise materially adversely affect its business, financial condition, liquidity and operating results.

Acquisition Strategy Risks

The Company has made and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-transaction business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

Reliance on Management

The success of Harvest One is dependent upon the ability, expertise, judgment, discretion and good faith of their respective senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Harvest One's business, operating results or financial condition. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that Harvest One will be able to attract or retain key personnel in the future, which may adversely impact Harvest One's operations.

Conflicts of Interest

Certain of Harvest One's directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from Harvest One interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, Harvest One's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to Harvest One. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to Harvest One.

Principal Security Holder

MMJ is Harvest One's largest shareholder – directly and indirectly owning a total of 56,660,028 Harvest One common shares. MMJ will have a significant influence on determining the outcome of any corporate transaction or other matter submitted to shareholders for approval, including mergers, consolidations and the sale of all or substantially all of Harvest One's assets, the election of directors and other significant corporate actions. In addition, due to MMJ's significant holdings, there can be no guarantee of a ready liquid market for Harvest One common shares.

Dividends

Harvest One has not paid dividends in the past and does not anticipate paying dividends in the near future. Harvest One expects to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in Harvest One's businesses. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors of Harvest One and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board of Directors of Harvest One may deem relevant. As a result, investors may not receive any return on investment in Harvest One common shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for Harvest One common shares will be maintained and an investor may find it difficult to resell any securities of Harvest One.

Volatility of Market Price of the Common Shares and Warrants

The market price of the common shares and warrants may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Company; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operation and prospects of the Company; (vi) the publication of earnings estimates for the Company or other research reports and speculation regarding the Company in the press or investment community; (vii) changes in the industry in which the Company operates and competition affecting the Company; and (viii) general market and economic conditions. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the common shares and warrants.

Outdoor Property is not Licensed under the Cannabis Regulations

The Outdoor Property is not licensed by Health Canada under the Cannabis Regulations as a facility where the cultivation of cannabis is permitted. United Greeneries' ability to cultivate, store and sell medical cannabis produced on the Outdoor Property is dependent on obtaining a license from Health Canada under the Cannabis Regulations and there can be no assurance that United Greeneries will obtain such a license for the Outdoor Property.

Lucky Lake Facility is not Licensed under the Cannabis Regulations

The Lucky Lake Facility is currently not licensed by Health Canada under the Cannabis Regulations as a facility where the cultivation of cannabis is permitted. Harvest One, through United Greeneries, applied to Health Canada to become a Licensed Producer under the ACMPR for the Lucky Lake Facility prior to the Cannabis Regulations coming into force. The application review will continue under the new Cannabis Regulations and is presently at the security clearance stage of review. United Greeneries' ability to cultivate, store and sell medical cannabis at the Lucky Lake Facility is dependent on obtaining a license from Health Canada and there can be no assurance that United Greeneries will obtain such a license for the Lucky Lake Facility.

Facility Construction and Expansion

The construction of the Lucky Lake Facility and the expansion of the Duncan Facility are subject to various potential problems and uncertainties and such construction and expansion may be delayed or adversely affected by a number of factors beyond Harvest One's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. Additionally, sufficient power will be required to expand the Duncan Facility, respectively, which the Company may not be able to secure, or secure at economically viable rates. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, Harvest One may not be able to achieve the intended economic benefits from the construction and expansion of operations at these facilities, which in turn may affect Harvest One's business, prospects, financial condition and results of operations. In particular, any expansion of the Lucky Lake Facility and the Duncan Facility, is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Harvest One and may result in Harvest One not meeting anticipated or future demand when it arises.

Operations in Foreign Jurisdictions

Certain of the Company's operations are located in foreign jurisdictions. As such, the Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to:

- renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts;
- repatriation restrictions;
- changing political conditions;
- currency exchange rate fluctuations;
- taxation policies;
- changing government policies and legislation;
- import and export regulations;
- infrastructure development policy; and
- environmental legislation

Changes, if any, in policies or shifts in political attitude may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, and land use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and profitability.

In addition, in the event of a dispute arising from operations in a foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts.

Credit, Liquidity, Interest and Currency Risk

The Board of Directors has overall responsibility for the establishment and oversight of Harvest One's risk management framework. As at September 30, 2018, Harvest One's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and warrants in associate. Cash is reported at fair value. Accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Warrants in associate will be measured at fair value at the end of each reporting period with changes in fair value being recognized in other comprehensive loss in the period.

Harvest One does not use derivative instruments or hedges to manage risks because Harvest One's exposure to credit risk, interest rate risk and currency risk is minimal.

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 an obligation. Harvest One is exposed to credit risk through its cash, which is held in with large Canadian financial institutions with issuer credit ratings of A-1 by Standard & Poor's. Harvest One believes this credit risk is insignificant.

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. Harvest One is exposed to short-term interest rates through the interest earned on cash balances and deposits; however, management does not believe this exposure is significant.

Liquidity risk is the risk that Harvest One will encounter difficulty in meeting obligations associated with financial liabilities. Harvest One manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, Harvest One will need to generate cash flow from the sale or otherwise disposition of property or raise additional funds.

Cash is stated at amounts compatible with those prevailing in the market, are highly liquid, and are maintained with prime financial institutions for high liquidity.

Foreign Currency Risk

Harvest One – through its subsidiaries – operates in a number of foreign jurisdictions. As a result, Harvest One is exposed to foreign currency risk related to cash, accounts receivable and accounts payable that are denominated in a foreign currency.

Litigation

Harvest One may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause Harvest One to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While Harvest One has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact Harvest One's business, operating results or financial condition.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether meritorious or not, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Political and Economic Instability

Harvest One may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect Harvest One's business. Additionally, as legalization of cannabis occurs in markets outside of Canada, including, but not limited to, the US, the Company may be subject to enhanced competition from foreign cannabis producers which could adversely impact the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The impact of these factors cannot be accurately predicted.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. Harvest One will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, Harvest One is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Harvest One's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to Harvest One and its management. If uncertain market conditions persist, Harvest One's ability to raise capital could be jeopardized, which could have an adverse impact on Harvest One's operations and the trading price of Harvest One's common shares.

Risks Relating to the Cannabis Industry

Regulatory Risks

Harvest One, and its subsidiaries United Greeneries and Satipharm, operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The ability of United Greeneries, and its wholly-owned subsidiary United Greeneries Operations Ltd., to grow, store and sell medical cannabis in Canada at the Duncan Facility is dependent on its License from Health Canada and maintaining such License in good standing. Failure to: (i) comply with the requirements of the License and (ii) maintain this License would have a material adverse impact on the business, financial condition and operating results of United Greeneries and Harvest One.

United Greeneries and Satipharm will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to United Greeneries and Satipharm's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of United Greeneries, Satipharm and Harvest One.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of mark et participants. The marketability of any product may be affected by numerous factors that are beyond Harvest One's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce Harvest One's earnings and could make future capital investments or Harvest One's operations uneconomic. The medical and recreational cannabis industries are also subject to numerous regulatory challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

United Greeneries became a Licensed Producer under the ACMPR on June 28, 2016 and received its Dealer's License under the Narcotic Control Regulations of the CDSA on June 12, 2018. With the Act which came into force on October 17, 2018, United Greeneries will migrate to valid, equivalent licenses under the Cannabis Regulations.

United Greeneries' business will continue to be subject to the Act and Cannabis Regulations regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business with an agricultural product in a regulated industry, United Greeneries will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. Harvest One's brand and products may not be effectively promoted as intended. The cannabis industry is marked by competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Environmental and Employee Health and Safety Regulations

Harvest One's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Harvest One will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to obtain an Environmental Compliance Approval or otherwise comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Harvest One's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Harvest One.

Change in Laws, Regulations and Guidelines

Harvest One's operations are subject to a variety of laws, regulations and guidelines relating to the cultivation, processing, management, transportation, storage, sale and disposal of medical and recreational cannabis, but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Harvest One's management, Harvest One is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of Harvest One may cause adverse effects to Harvest One's operations and the financial condition of Harvest One.

On June 7, 2018, the Act passed the third reading in the Senate with a number of amendments to the language. The Government of Canada announced that the Act received Royal Assent on June 21, 2018 which then came into force on October 17, 2018.

On July 11, 2018, the regulations made pursuant to the Act were published. The regulations under the Act contemplate various licenses including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth in the regulations. The impact of changes in the regulatory enforcement by Health Canada under the Act and its regulations, particularly in respect of product packaging, labelling marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time, given that the Act and Cannabis Regulations only recently came into effect.

Prior to the Act coming into force, only the sales of medical cannabis was legal in Canada. The medical cannabis regime was regulated federally pursuant to the CDSA and the ACMPR. The ACMPR regulated the production, sale and distribution of cannabis and cannabis oil extracts for medical purposes in Canada. The ACMPR provided for three possible options for Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

- access quality-controlled cannabis by registering with a Licensed Producer;
- register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials (including cannabis seeds and plants) must be purchased from a Licensed Producer); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials (such as cannabis seeds and plants) must be purchased from a Licensed Producer).

On July 11, 2018, the Cannabis Regulations were released by the government which, among other things, set forth the regulatory structure and process for the following:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Drugs Containing Cannabis.

<u>Licenses, Permits and Authorizations</u>

The Cannabis Regulations provide that all licenses issued under the Act will be valid for a period of no more than five years and that no licensed activities can be conducted in a dwelling-house. The Cannabis Regulations also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Generally, the Act provides that licenses issued under the ACMPR that are in force immediately before the Act coming into force are deemed to be licenses issued under the corresponding provisions of the Act and any such licenses will continue in force until they may be revoked or they expire. For example, a license for production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil under the ACMPR are deemed to be licenses for cultivation, processing and sale for medical purposes under the Act, provided that the license holder meets certain requirements.

Similarly, the Act generally provides that licenses pertaining to cannabis or its derivatives issued under the Narcotic Control Regulations that are in force immediately before the Act comes into force are deemed to be licenses issued under the corresponding provisions of the Act and any such licenses will continue in force until they are revoked or expire. For example, a license issued under the NCR authorizing cultivation of cannabis for scientific purposes will be a research license under the Act.

Security Clearances

The ACMPR required certain individuals to hold security clearances. For a corporation, this included officers and directors of the corporation. The Cannabis Regulations broaden the scope of individuals required to hold security clearances, including all individuals occupying key positions, individuals, such as shareholders, that have direct control over a license holder, and the officers and directors of any corporation having direct control over a license holder (e.g., officers and directors of a parent corporation). The Cannabis Regulations provide a three-month grace period for current license holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019). Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Act and Cannabis Regulations.

Cannabis Tracking System

Under the Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The Cannabis Regulations provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. The Minister of Health has introduced the Cannabis Tracking and Licensing System ("CTLS"). License holders are required to use the CTLS to, among other things, submit monthly reports to the Minister of Health, among other things.

Cannabis Products

The Cannabis Regulations permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but anticipated to be permitted within one year.

The Cannabis Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Cannabis Regulations include vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling

The Cannabis Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The Cannabis Regulations further require mandatory health warnings, standardized cannabis symbol and specific product information. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Advertising

The Act introduces restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Act.

Cannabis for Medical Purposes

On October 17, 2018, the medical cannabis regime moved under the Act and the Cannabis Regulations. The medical cannabis regulatory framework under the Act and the Cannabis Regulations remains substantively the same as previously existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system (see Part 14 of the Cannabis Regulations entitled "Access to Cannabis for Medical Purposes"). The sale of medical cannabis remains federally regulated and in each case, sales can only be made by an entity that holds a license to sell under the Cannabis Regulations to patients that have a medical document and have registered with the licensed entity. Note, a license to sell is not required to sell between federally licensed entities, such as between licensed cultivators, or to wholesalers or retailers in the recreational market. Just as with the medical cannabis regime under the ACMPR, under the Cannabis Regulations, customer (patients) need to obtain a medical document (i.e., prescription) from their doctor and then register as a client with a cannabis company that has a license to sell (the registration is only good for up to a year). Then the client can order from the cannabis company online or via telephone and the cannabis will be shipped directly to the client (max. 150 grams per month).

Provincial Regulatory Framework

While the Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

There are essentially three general frameworks that the provinces and territories have proposed: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g., privately licensed bricks and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market will ultimately be supplied by federally licensed cultivators and processors. In many cases, the provinces that are proposing to have privately licensed retailers will have a government run wholesaler. Such privately licensed retail stores will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors.

The impact of changes in the regulatory enforcement by Health Canada under the Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on Harvest One's business are currently unknown. In addition, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create opportunities for growth. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis for adult use purposes in such provinces, which could limit the Company’s opportunities in those provinces.

This evolving legal regime presents a risk to Harvest One in that legislators or the court may adopt changes that would have a negative impact on the business, financial condition or results of operations of the Company. While the potential impact of any of such changes is highly uncertain and fact dependent, it is not expected that any such changes would have an effect on Harvest One's operations that is materially different than the effect on similar-sized companies in the same business as Harvest One.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Harvest One's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Harvest One's earnings and could make future capital investments or Harvest One's operations uneconomic. In addition, despite the legalization of recreational cannabis, the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis will remain subject to extensive regulatory oversight. Such extensive controls and regulations may significantly affect the financial condition of market participants and prevent the realization of such market participants of any benefits from an expanded market for recreational cannabis products.

Restrictions on Sales and Marketing

The medical cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Harvest One's ability to conduct sales and marketing activities and could have a material adverse effect on Harvest One's respective businesses, operating results and financial conditions.

Competition

The market for medical cannabis products appears to be sizable and Health Canada has only issued a limited number of licenses under the older ACMPR regime to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of Harvest One. Because of the early stage of the industry in which Harvest One operates, Harvest One expects to face additional competition from new entrants. According to Health Canada there were 133 Licensed Producers as of the date of this MD&A. If the number of users of medical cannabis in Canada increases, the demand for products will increase and Harvest One expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. Harvest One expects significant competition from other companies applying for production licenses that may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, Harvest One will require a continued level of investment in research and development, marketing, sales and client support. Harvest One may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Harvest One. If Harvest One and its subsidiaries are not successful in investing sufficient resources in these areas, its ability to compete in the market may be adversely affected, which in turn could materially and adversely affect Harvest One's business, financial conditions and results of operation.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Harvest One.

Agricultural Operations

Since Harvest One's business will revolve mainly around the growth of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although Harvest One expects to grow its product in a climate controlled, monitored, indoor location, there is not guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on Harvest One's ability to produce cannabis. And, further, Harvest One is currently exploring the business of growing product in greenhouse and/or outdoor growing conditions which will subject the product to new forms of airborne and other disease and pest, among other, risks.

Vulnerability to Rising Energy Costs

Harvest One's cannabis growing operations consume considerable energy, making Harvest One vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of United Greeneries and its ability to operate profitably.

Fluctuating Prices

Harvest One's revenues are expected to be in large part derived from the production, sale and distribution of cannabis. The price of production, sale and distribution of cannabis will fluctuate widely due to how young the cannabis industry is and is affected by numerous factors beyond Harvest One's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by Harvest One and, therefore, the economic viability of any of Harvest One's business, cannot accurately be predicted.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, Harvest One faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Harvest One's products alone or in combination with other medications or substances could occur. Harvest One may be subject to various product liability claims, including that Harvest One's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against Harvest One could result in increased costs, adversely affect Harvest One's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of Harvest One.

There can be no assurance that Harvest One will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of Harvest One's products.

Product Recalls

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Harvest One's products are recalled due to an alleged product defect or for any other reason, Harvest One could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Harvest One may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distract from day to day operations.

Operating Risk and Insurance Coverage

Harvest One maintains insurance to protect its assets, operations and employees. While Harvest One believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Harvest One is exposed. Harvest One may be also unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Harvest One might also become subject to liability for pollution or other hazards which may not be insured against or which Harvest One may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Harvest One to incur significant costs that could have a material adverse effect upon Harvest One's financial performance and results of operations.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements and reporting amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the annual audited consolidated financial statements for the year ended June 30, 2018.

Areas that often require significant management estimates and judgement include biological assets and inventory, the estimated useful lives and depreciation of property, plant and equipment, the estimated useful lives and amortization of intangible assets, goodwill, share-based compensation, warrants, accruals, provisions and the determination of the functional currency. The following is an outline of the estimates that the Company considers as critical in the preparation of its consolidated financial statements:

- The Company fair values its biological assets and inventory which requires estimates and assumptions on the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, average or expected selling price, wastage and expected yields for the cannabis plants.

- The Company has recorded depreciation and amortization which requires estimates of the useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of the assets.

- The Company has recorded stock-based compensation using the *Black-Scholes Pricing Model*, which includes key estimates such as the rate of forfeiture of options or PAR granted, the expected life of the option or PAR, the volatility of the Company's share price, and the risk-free interest rate.

- The Company has recorded certain warrants using the *Black-Scholes Pricing Model*, which requires includes key estimates such as the expected life of the warrants, the volatility of the Company's share price, and the risk-free interest rate.

- Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – *Business Combinations*, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which entity is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of the new and revised standards, amendments and interpretations issued by the IASB effective for periods beginning on or after July 1, 2018 has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company.

Additional new or amended accounting standards that have been previously issued by the IASB but are not yet effective, and have not been applied by the Company, are as follows:

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which will replace IAS 17 – *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company intends to adopt IFRS 16 on July 1, 2019 and is currently assessing the impact of this new standard on its consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the unaudited condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying unaudited condensed consolidated interim financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements; and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the three months ended September 30, 2018.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ADVISORY ON FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's required financial statements and filings.