FLOW WATER INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED APRIL 30, 2021

June 28, 2021

The following Management's Discussion and Analysis ("MD&A") is prepared as of June 28, 2021 and provides information concerning Flow Water Inc.'s ("Flow", the "Company", "we" or "us") financial condition and results of operations. This MD&A should be read in conjunction with our annual audited consolidated financial statements, including the related notes thereto, for the three-year period ended October 31, 2020 and the interim condensed consolidated financial statements for the three-month and six-month periods ended April 30, 2021 and 2020.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results, performance and achievements may differ materially from those implied by these forward-looking statements as a result of various factors, particularly under "Forward-Looking Information" and "Risk Factors".

Basis of Presentation

The unaudited condensed interim consolidated financial statements for the three-month and six-month periods ended April 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and are presented in Canadian dollars. Accordingly, unless otherwise noted herein, all financial information in this MD&A is presented in Canadian dollars. The disclosures contained in the condensed interim consolidated financial statements do not include all of the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. The Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2020, which have been prepared in accordance with IFRS. In this MD&A, references to North America refer to Canada and the United States.

The unaudited condensed interim consolidated financial statements for the three-month and six-month periods ended April 30, 2021 and 2020 were reviewed and approved by the Company's Board of Directors (the "Board") on June 26, 2021.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "Adjusted EBITDA", "Adjusted Net Income", and "EBITDA". These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Some of the information contained in this MD&A contains forward-looking information. This information may relate to anticipated events or results and include, but are not limited to, expectations regarding industry trends, our growth rates and growth strategies, the impact of the COVID-19 pandemic on our business and other statements that are not historical facts. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the AIF filed as part of our listing application to the Toronto Stock Exchange ("TSX"), which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may" "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. This information is based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A.

However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risk Factors". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's annual information form dated June 28, 2021 for the fiscal year ended October 31, 2020 (the "AIF") and updated to include the results of the quarter and year to date period ended on April 30, 2021, a copy of which is available under the Company's profile on SEDAR at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these statements.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Business Overview

Our history

Flow was founded by Nicholas Reichenbach in 2014 after seeing mountains of plastic bottle waste while attending the Burning Man Festival in Nevada's Black Rock Desert. Having grown up on a rural property in Southern Ontario with a natural, mineral rich aquifer, he imagined a packaged water company that could be "better for people and the planet". After scientific analyses showed that the water was spring water, free from contaminants and packed with natural minerals and electrolytes, Nicholas, along with friends and family, formed Flow and sought out the Tetra Pak Group to provide the most sustainable package available in order to bring the water to consumers while preserving its benefits.

Key milestones

- May 2015: commenced distribution of its original, unflavoured, natural alkaline spring water in the natural/organic channel in Canada.
- 2016: expanded Canadian distribution into conventional grocery/food channels.
- April 2017: opened its vertically integrated packaging facility in Aurora, Ontario.
- May 2017: commenced the distribution of its products in the United States.
- September 2017: certified as a B Corporation.
- November 2017: purchased its water source in Bruce County, Ontario.
- February 2018: commenced distribution of its award winning organic flavoured products.

- April 2019: purchased its water source known as “Seawright Springs” in Augusta County, Virginia and opened its vertically integrated bottling facility in nearby Verona, Virginia.
- February 2020: acquired substantially all of the assets of 2596059 Ontario Inc. dba Boons Collagen Water and launched Flow branded collagen-infused waters with natural flavours.
- Fiscal 2018 to Fiscal 2020: compound annual growth rate (“CAGR”) of 55%.
- December 2020: entered into a letter of intent with RG One Corp. (“RG One”) to complete a going-public transaction in Canada.
- January 2021: completed a $30,000,000 non-brokered private placement of subscription rights(1)
- February 2021: launched the Direct Store Delivery (DSD) model in the United States.
- March 2021: completed a $60,000,088 private placement of subscription receipts (“Subscription Receipts”)(2)
- March 2021: announced Maurizio Patarnello as its new Chief Executive Officer.
- April 2021: RG One and RG One Subco entered into a Business Combination Agreement pursuant to which Flow and RG One Subco agreed to amalgamate under the Canadian Business Corporations Act (the “Amalgamation”).
- April 2021 introducing the new digital and social media brand campaign, +3 billion impressions
- May 2021: completed a $8,910,260 private placement of Subscription Receipts.
- July 2021: Flow will commence trading on the TSX under the ticker symbol FLOW.

(1) *Subscription receipts*

On March 1, 2021, the Company completed a non-brokered private placement for Subscription Receipts [“the Receipts”] for gross proceeds of $30,000,000. The Receipts shall not bear interest and have a maturity date of October 31, 2021. The Receipts are convertible into one Class B common share and one-half warrant. At the time of a Go Public transaction, the Receipts will convert into one Class B common share at the Go Public price and one-half warrant which has an exercise price of $2.00 and is exercisable for 24 months following the closing of the Reverse Take-Over. If no Go Public transaction occurs prior to the maturity date, then the Receipts will convert into one Class B common share at a price of $1.65 per share and one-half warrant with an exercise price of $2.10 per whole warrant and are exercisable until December 31, 2021.The Company incurred transactions costs of $1,561,690 in connection with the transaction, which include $450,000 of agency fees which will be paid out in cash and has been recognized in trade and other payables, $101,012 related to warrants issued and finder’s fees of $1,010,678, of which $947,285 has been recognized in trade and other payables as of April 30, 2021.

(2) *Brokered private placement*

On March 11, 2021, the Company completed a brokered private placement for the issuance of 36,363,690 Subscription Receipts [“the Subscription Receipts”] at $1.65 per Subscription Receipt for gross proceeds of $60,000,088. The Subscription Receipts are held in escrow until the escrow release conditions have been met by the Company. On satisfaction of the escrow release conditions, the Subscription Receipts will convert into one Class B common share at $1.65 and one-half warrant which has an exercise price of $2.00 and is exercisable for a period of 24 months. The escrow release conditions must be met on a date prior to the escrow release deadline of July 9, 2021. If the escrow release conditions are not met, the Subscription Receipts will be returned to the investors. The Company determined that it does not have control of the Subscription Receipts while in escrow and therefore will not recognize the Subscription Receipts until the escrow release conditions have been met. The Company incurred transactions costs of $4,775,590 in connection with the transaction, which included $3,979,257 which will be paid in cash compensation and has been recognized in trade and other payables as of April 30, 2021, and $796,333 related to warrants issued. The transaction costs have been recognized in deferred financing cost.

Our business model

Flow is an innovative beverage company and one of the pioneers in the “better for you better for the planet” consumer needs state. The large majority of its business is at the moment represented by Flow Alkaline Spring Water, however the Company has expanded into a variety of organic flavoured waters and collagen favored waters and has plans to further expand in other adjacent categories of the non-alcoholic beverage market. Flow owns two virtually identical water sources in terms of key minerals, in Bruce County, Ontario and Augusta County, Virginia. Flow packages its products in its production facilities in Aurora, Ontario and Verona, Virginia, both of which are in close proximity to its water sources. The packaging facility in Aurora, Ontario consists of approximately 150,000 square feet, operates three Tetra Pak A3 / Flex filling machines and has a capacity of approximately 500,000 Tetra Paks per day and the packaging facility in Verona, Virginia consists of approximately 52,000 square feet, operates five Tetra Pak A3 / Flex filling machines and has a capacity of approximately 750,000 Tetra Paks per day. In total, the packaging facilities have a total theoretical installed capacity of more than 450M units/year. Flow markets its premium alkaline spring water in in original unflavoured and a range of award-winning organic flavours in sizes ranging from 330 ml to 1 liter, and in six (6), twelve (12), eighteen (18) and twenty-four (24) pack formats and has recently launched new lines of collagen-infused waters with natural flavours. Flow gets product to market through an omni-channel distribution strategy, including the conventional channel, the food service and the convenience channels. As part of this strategy, the Company leverages a network of 35+ distributors to support our coverage of +20,000 stores in North America. Flow operates a fast-growing e-commerce business mostly developed with Shopify with more than 4,100 subscription customers. Flow has also developed strategic partnership with third party premium brands in adjacent categories to co-pack their products in the Tetra Prisma format. Flow has 183 full-time employees in Canada (92), the United States (90) and Switzerland (1), of which more than 75% are employees in production and sales. Flow has a robust ESG agenda, including sustainable package, resources preservation, carbon neutrality and a high score on our B Corp certification.

Our market and the opportunity

The total North America packaged water market is estimated at USD $16.0B, of which USD $15.4B is in the United States. The market has been growing significantly over the last 20 years and has become the largest beverage category in volume in North America, overtaking soft drinks. However, the overall growth of the packaged water market has decelerated in the last 3 years (CAGR + 3%).

The size of the total addressable shelf stable water market in the United States is approximately USD $12 billion dollars annually in the multi-order channel and is growing at a rate of 8% per year. Within the category, three sub-categories have been the main drivers of the overall category growth and Flow is uniquely positioned at the intersection of those three categories: (i) premium water (12% growth year over year); (ii) sustainably packaged water (10% growth year over year); and (iii) functional water (12% growth year over year).

We see the opportunity to gain significant market share and to become one of the leading premium water brands in North America. We envisage we will continue innovating with highly differentiated products in current and adjacent categories.

Our Goals and Strategy

Our goal is to grow Flow as one of the leading premium water brands in North America and to expand it in adjacent categories.

Flow`s strategy is to further invest in distribution in the coming 2-3 years. This will be achieved with a strategy of investing in building blocks, with a focus on the largest US and Canadian regions, (4 hydro zones). We will push continued growth through distribution in the food service business, which is very receptive to a more sustainable package. The DSD expansion will be the main enabler. We will leverage the successful subscription model to continue growing our e-commerce business.

Our strategy is to establish Flow as a reference brand in the area of “better for you, better for the planet” and to continue investing in Flow`s brand awareness, via digital campaigns, social media and sponsoring of sport events.

Flow’s innovation strategy is to launch highly differentiated products in adjacent categories, targeted to our main consumer, “the wellness woman”.

Our Financial Model

Our financial model is based on a sustained top line growth, which will require continued investment in distribution, e-commerce, our brand and innovation. These investments will have short-term impact on our profitability. However, the top line growth, associated with healthy margins, will allow us to improve our profitability year-on-year and create significant value for our shareholders in the medium to long-term.

Financial Highlights

Q2 2021 Highlights:

Select financial highlights include the following:

• Revenue increased by 74%, or $4.8 million, to $11.3 million, compared to 6.5 million in Q2 2020.

• Gross profit totaled $4.0 million, an increase of 130% or $2.2 million compared to $1.7 million in Q2 2020.

• Gross margin was 35% of revenue, compared to 27% for the three-month period ended April 30, 2020.

• Net loss increased by $10.2 million to $19.3 million, compared to a loss of $9.1 million in Q2 2020.

• Adjusted EBITDA loss increased by 36%, or $2.0 million, to $7.7 million, compared to $5.6 million in Q2 2020.

• Adjusted net loss increased by $1.6 million to $9.3 million in Q2 2021 compared to adjusted net loss of $7.7 million in Q2 2020.

Year-to-date Highlights:

• Revenue increased by 97%, or $10.0 million, to $20.3 million for the six-month period ended April 30, 2021 compared to $10.3 million for the six-month ended April 30, 2020.

• Gross profit totaled $6.5 million, an increase of 621% or $5.6 million compared to $0.9 million for the six-month period ended April 30, 2020.

• Gross margin was 32% of revenue, compared to 9% for the six-month period ended April 30, 2020.

• Net loss was increased by $11.2 million to $31.9 million, compared to a loss of $20.7 million for the six-month period ended April 30, 2020

• Adjusted EBITDA loss decreased by 17%, or $2.4 million, to $12.1 million, compared to a loss of $14.5 million for the six-month period ended April 30, 2020.

• Adjusted net loss decreased by $2.5 million to $16.0 million for the six-month period ended April 30, 2021, compared to $18.5 million for the six-month period ended April 30, 2020.

In Canadian Dollars	Three-month periods ended				Six-month periods ended			
	April 30, 2021		April 30, 2020		April 30, 2021		April 30, 2020	
	$	% of Revenue	$	% of Revenue	$	% of Revenue	$	% of Revenue
Net revenue	11,289,680	100%	6,489,020	100%	20,310,694	100%	10,300,693	100%
Cost of revenue	7,319,119	65%	4,764,258	73%	13,785,590	68%	9,396,077	91%
Gross profit (loss)	3,970,561	35%	1,724,762	27%	6,525,104	32%	904,616	9%
Operating expenses								
Sales and marketing	2,840,468	25%	1,099,056	17%	3,805,012	19%	3,023,590	29%
General and administrative	7,404,221	66%	3,732,327	58%	10,234,972	50%	7,277,411	71%
Salaries and benefits	4,143,188	37%	2,626,371	40%	7,592,752	37%	5,361,554	52%
Amortization and depreciation	486,423	4%	536,871	8%	985,828	5%	1,018,878	10%
Share-based compensation	7,036,876	62%	1,387,514	21%	12,719,981	63%	2,124,584	21%
	21,911,176	194%	9,382,139	145%	35,338,545	174%	18,806,017	183%
Operating income (loss)	(17,940,615)	-159%	(7,657,377)	-118%	(28,813,441)	-142%	(17,901,401)	-174%
Other expense (income)	(17,965)	0%	(49,649)	-1%	(73,822)	0%	(153,582)	-1%
Finance expense, net	1,130,765	10%	1,497,282	23%	2,916,333	14%	2,970,942	29%
Foreign exchange loss (gain)	239,054	2%	(39,197)	-1%	214,996	1%	(51,067)	0%
	—				—			
Loss before income taxes	(19,292,469)	-171%	(9,065,813)	-140%	(31,870,948)	-157%	(20,667,694)	-201%
Income tax expense	—	0%	—	0%	—	0%		0%
Net loss for the year	(19,292,469)	-171%	(9,065,813)	-140%	(31,870,948)	-157%	(20,667,694)	-201%
EBITDA(1)	(17,675,281)	-157%	(7,031,660)	-108%	(27,968,787)	-138%	(16,677,874)	-162%
Adjusted EBITDA(1)	(7,683,568)	-68%	(5,644,146)	-87%	(12,144,307)	-60%	(14,553,290)	-141%
Adjusted Net loss(1)	(9,300,756)	-82%	(7,678,299)	-118%	(16,046,468)	-79%	(18,543,110)	-180%
Loss per share - basic and diluted	$ (0.10)		$ (0.06)		$ (0.16)		$ (0.14)	
Weighted average number of common shares outstanding - basic and diluted	200,186,339		157,087,477		198,478,370		150,267,376	
Total Assets	100,807,276							
Non-current Liabilities	71,821,160							

Note:

(1) See “Non-IFRS Measures”.

Summary of Factors Affecting Performance

COVID-19

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America and internationally, we have seen, and expect to continue to see, a disruption of many of the factors affecting our operations and performance. COVID-19 has resulted in governments worldwide enacting various emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, border shutdowns between Canada and the United States, self-imposed quarantine periods, closing of non-essential businesses, social distancing and the cancellation of gatherings and events, have impacted our operations, our suppliers and our customers. While the Company has experienced the impact of the COVID-19 outbreak on its operations, it continued to operate steadily during the current pandemic, as it is considered an essential service in Canada. The continued effect of such emergency measures, will depend on future developments, including the duration of COVID-19, which are uncertain and cannot be predicted.

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the “Risk Factors” sections of this MD&A and the Company’s AIF, which is available on SEDAR at www.sedar.com.

Foreign Exchange

Our financial statements are presented in Canadian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. As we continue to execute on our omni-channel distribution strategy and expanded co-packing operations in the US, a larger portion of our revenue and cost of goods sold are derived in U.S. dollars. A significant portion of our revenue and cost of goods sold continue to be derived in Canadian dollars as a result of our continued growth and market penetration. We do not hedge our exchange rate exposure through financial instruments. As we continue to expand our footprint in North America, we will assess our currency exposure and take further steps as may be required to proactively manage this exposure.

Seasonality

The beverage industry is generally subject to seasonal demand fluctuations as consumers increase their consumption during the summer months, which is further impacted by weather during the spring, summer, and fall. Seasonality can have an impact on our net revenue and the comparison year-on year.

Non-IFRS Measures

The following tables provides a reconciliation of consolidated net income to EBITDA, Adjusted EBITDA and Adjusted Net Income for three and six-month periods ended April 30, 2021 and April 30, 2020:

	Three-month periods ended		Six-month periods ended	
In Canadian dollars	**April 30, 2021**	**April 30, 2020**	**April 30, 2021**	**April 30, 2020**
Consolidated Net Income (Loss):	(19,292,469)	(9,065,813)	(31,870,948)	(20,667,694)
Income tax expense	—	—	—	—
Finance expense, net	1,130,765	1,497,282	2,916,333	2,970,942
Amortization and depreciation	486,423	536,871	985,828	1,018,878
EBITDA	(17,675,281)	(7,031,660)	(27,968,787)	(16,677,874)
Integration, restructuring, and other (termination)	2,515,091	—	2,515,091	—
Share-based compensation	7,036,876	1,387,514	12,719,981	2,124,584
Reverse acquisition of RG One Corp. expenses	439,746	—	589,409	—
Adjusted EBITDA	(7,683,568)	(5,644,146)	(12,144,307)	(14,553,290)

	Three-month periods ended		Six-month periods ended	
In Canadian dollars	**April 30, 2021**	**April 30, 2020**	**April 30, 2021**	**April 30, 2020**
Consolidated Net Income (Loss):	(19,292,469)	(9,065,813)	(31,870,948)	(20,667,694)
Integration, restructuring, and other (termination)	2,515,091	—	2,515,091	—
Share-based compensation	7,036,876	1,387,514	12,719,981	2,124,584
Reverse takeover of RG One Corp. expenses	439,746	—	589,409	—
Adjusted net loss	(9,300,756)	(7,678,299)	(16,046,468)	(18,543,110)

Results of Operations

Revenue

Revenue increased by 74%, or $4.8 million, to $11.3 million, compared to $6.5 million in Q2 2020. The increase in revenue primarily reflects the growth of our co-packing services and growth in the United States driven by our continued investment in our omni-channel distribution platform and movement into conventional grocery. Q2 2020 revenue was driven by stockpiling during March 2020 due to the onset of COVID-19 which resulted in a spike in sales and strong performance in the quarter. Revenue increased by 97%, or $10.0 million, to $20.3 million for the six-month period ended April 30, 2021 compared to $10.3 million for the six-month ended April 30, 2020. The increase in revenue for the six-month period was driven by the same factors as the three-month period however the period over period increase was greater due to the absence of the COVID-19 related stockpiling and pallet drop program in Q1 2020.

Cost of revenue

Cost of revenue increased by 54%, or $2.6 million, to $7.3 million in Q2 2021, compared to 4.8 million in Q2 2020. The increase in cost of revenue compared to comparable periods is driven by increased sales volumes offset by associated savings from efficiencies generated from utilizing more of the plants in both Canada and the US. Cost of revenue increased by 47%, or $4.4 million, to $13.8 million for the six-month period ended April 30, 2021 compared to $9.4 million for the six-month ended April 30, 2020. This increase was driven by the same drivers as the three-month period ended April 30, 2021. Cost of revenue as a percentage of revenue was 68% for year-to -date compared to 91% for the comparable year-to-date.

Gross profit

Gross profit totaled $4.0 million, an increase of 130% or $2.2 million compared to $1.7 million in Q2 2020. Gross margin was 35% of revenue, compared to 27% for Q2 2020.The improvements in gross margin are being driven by increased utilization of the installed lines and increased efficiency on production run by production run basis. In addition, the input costs of raw materials and packaging have been consistent period over period on a per unit basis. Gross profit totaled $6.5 million, an increase of 621% or $5.6 million compared to $0.9 million for the six-month period ended April 30, 2020. Gross margin was 32% of revenue, compared to 9% for the six-month period ended April 30, 2020.

Sales and Marketing

Sales and marketing expense increased by 158%, or $1.7 million, to $2.8 million in Q2 2021 compared to $1.1 million in Q2 2020. The increase was primarily due to the launch or Flow's major celebrity campaign in support of our DSD and e-commerce expansion in the US leading into the summer months. During the comparable period there were no significant campaigns. Sales and marketing expense increased by 26%, or $0.8 million, to 3.8 million for the six-month period ended April 30, 2021 compared to $3.0 million for the six-month period ended April 30, 2020. Sales and marketing expense as a percentage of revenue decreased by 10% to 19% for the six-month period ended April 30, 2021 compared to 29% for the six-month period ended April 30, 2020.

General and Administrative

General and administrative expense increased by 98%, or $3.6 million, to $7.4 million in Q2 2021, compared to $3.7 million in Q2 2020. During the quarter there was significant spend against professional and legal fees in relation to reverse acquisition of RG One Corp. In addition, during the period the company incurred termination fees of $2.5 million in relation to exiting of legacy contracts. General and administrative expense increased by 41%, or $3.0 million, to $10.2 million for the six-month period ended April 30, 2021, compared to $7.3 million for the six-month period ended April 30, 2020. General and administrative expense as a percentage of revenue decreased by 21% to 50% for the six-month period ended April 30, 2021, from 71% for the six-month period ended April 30, 2020.

Share-based compensation

Share-based compensation expense increased by 407%, or $5.7 million, to $7.0 million in Q2 2021 compared to $1.4 million in Q2 2020. The increase was primarily due to the issuance of RSU's to members of the executive management team as long-term incentives which vest over periods from 12-36 months. Under IFRS the fair value of the grants is taken to the statement of loss based on a graded vesting approach whereby more costs are recorded in the earlier vesting periods. The board has traditionally used option and grants of equity as tools for employee retention and alignment with corporate objectives and the grants during period are in line with the companies approved pool for RSU and options. Share-based compensation expense increased by 499%, or $10.6 million, to $12.7 million for the six-month period ended April 30, 2021 compared to $2.1 million for the six-month period ended April 30, 2020. Share-based compensation expense as a percentage of revenue increased by 42% to 63% for the six-month period ended April 30, 2021 from 21% for the six-month period ended April 30, 2020.

EBITDA

EBITDA loss increased by 151%, or $10.6 million, to a loss of $17.7 million in Q2 2021 compared to a loss of $7.0 million in Q2 2020. The increase in EBITDA loss in Fiscal 2020 was primarily attributable to the factors discussed above. EBITDA loss increased by 68%, or $11.3 million, to a loss of $28.0 million for the six-month period ended April 30, 2021 compared to a loss of $16.7 million for the six-month period ended April 30, 2020. The increase in EBITDA loss in Fiscal 2020 was primarily attributable to the factors discussed above.

Foreign exchange loss

Foreign exchange loss was $0.2 million for the six-month period ended April 30, 2021, compared to gain of $0.1 million for the six-month period ended April 30, 2020 due to fluctuations in the exchange rates of our functional currency relative to various source currencies during the period.

Amortization and depreciation

Amortization and depreciation expense was consistent at $0.5 million in both Q2 2021 and Q2 2020. Amortization and depreciation was consistent at $1.0M for the six-months period ended April 30, 2021 and 2020. The additions to capital assets during the period consisted of construction in progress for the installation of two new Tetra Pak lines in Verona, Virginia, that have not yet begun amortizing.

Finance Expense

Finance expense was $1.1 million in Q2 2021 and $1.5 million in Q2 2020. Finance expense was $2.9 million for the six-month period ended April 30, 2021 and $3.0 million for the six-month period ended April 30, 2020. This was in line with expected pay down of interest and principal as no new material debt financing activities were entered into during the period.

Net income and comprehensive income for the period and adjusted net income

Net loss was increased by $10.2 million to $19.3 million, compared to a loss of $9.1 million in Q2 2020. Net loss was increased by $11.3 million to $31.9 million, compared to a loss of $20.7 million for the six-month period ended April 30, 2020

Adjusted net loss increased by $1.6 million to $9.3 million in Q2 2021 compared to adjusted net loss of $7.7 million in Q2 2020. Adjusted net loss decreased by $1.8 million to $16.7 million for the six-month period ended April 30, 2021, compared to $18.5 million for the six-month period ended April 30, 2020.

Adjusted EBITDA

Adjusted EBITDA loss increased by 36%, or $2.0 million, to a loss of $7.7 million, from $5.6 million in Q2 2020. Adjusted EBITDA loss decreased by 17%, or $2.4 million, to $12.1 million, compared to a loss of $14.6 million for the six-month period ended April 30, 2020.

Liquidity and Capital Resources:

Overview

Our principal uses of funds are for operating expenses, sales and marketing, capital expenditures, finance costs and debt service requirements. We believe that cash generated from our operations, together with amounts raised through the non-brokered and brokered private placements, will be sufficient to support our 12-month operating expenses, capital expenditures, and future debt service requirements. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. However, our ability to fund operating expenses, capital expenditures, future debt service requirements and dividends will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Risk Factors” as well as the “Summary of Factors Affecting Performance” in this MD&A for additional information. We review acquisition and investment opportunities in the normal course of our business and may make select acquisitions and investments to implement our business strategy when suitable opportunities arise.

Cash Flows

The following table presents our cash flows for the six-months ended April 30, 2021 and April 30, 2020:

	Six-month period ended	
In Canadian dollars	**April 30, 2021**	**April 30, 2020**
Cash flow from (used in) operating activities	(23,322,531)	(19,681,985)
Cash flow from (used in) investing activities	(4,870,814)	(4,485,762)
Cash flow from financing activities	25,580,582	36,604,852
Net change in cash during the period	(2,612,763)	12,437,105
Cash, beginning of the period	18,244,638	2,025,792
Cash, end of the period	15,631,875	14,462,897

Cash flow from operating activities

In the six-month period ended April 30, 2021, operating activities used cash flow of $23.3 million, compared to $19.7 in 2020. The increase in 2021 is primarily due to increased accounts receivable arising from increased sales through co-packing during the period.

Cash flow from investing activities

Investing activities used cash flow of $4.9 million in the six-month period, compared to $4.5 million in 2019. The variance in the six-month period is mainly due to slightly higher purchases of equipment than in 2020.

Cash flow from financing activities

Financing activities generated $25.6 million in the six-month period, compared to $36.6 million in 2020. The variance in 2021 is principally attributable to the issuance of subscription receipts during the period for $30.0 million and new share issuances of $8.0 million offset by repayments of the convertible debt of $6.5 million for and other borrowings of $5.1 million during the period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Refer to Key Milestones note 1 and 2 for description of funds held in escrow.

Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] [a] as a result of a past event; [b] when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and [c] when a reliable estimate can be made of the amount of the obligation.

Current Share and Information

As of the date hereof, the Company had 31,072,847 class A multiple voting shares and 174,094,601 class B single voting shares issued and outstanding. As of the date hereof, an aggregate of 16,819,918 options to acquire common shares are outstanding, an aggregate of 37,761,665 warrants to acquire common shares are outstanding, and an aggregate of 12,326,711 restricted share units representing the right to receive common shares in accordance with the terms of our long-term incentive plan.

Critical Accounting Judgments and Estimates

Please see the Company's audited consolidated financial statements for the year ended October 31, 2020 for a discussion of the accounting policies and estimates that are critical to the understanding of the Company's business operations and the results of its operations.

In early 2020, the novel coronavirus disease ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its Financial Statements, including with respect to the valuation of the credit risk of its counterparties and determination of whether indicators of impairment exist for its tangible and intangible assets. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods including the use of estimates and judgments which are subject to significant uncertainty. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

As at April 30, 2021, the Company has not yet achieved profitable operations, and has an accumulated deficit of $166,071,686. If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund the Company's operations, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. This could include, but is not limited to, curtailing discretionary spending in the event that the Company is unable to meet the escrow release conditions related to the escrow funds raised through a brokered private placement.

The Company's conclusions about its ability to continue as a going concern for the next 12 months involves significant judgment and is dependent on the Company's ability to successfully meet each of the escrow release conditions prior to the escrow release deadline related to the brokered private placement, obtain additional debt or equity funding or manage its discretionary spending to maintain sufficient cash flows from operations. Management believes they have the ability to meet each of the escrow release conditions before the escrow release deadline. In addition, Management has a plan in place to alter their future cash flows until the Company can obtain additional debt or equity funding if the escrow release conditions cannot be met. There is no guarantee that the Company will satisfy the escrow release conditions, be able to obtain additional debt or equity financing or be able to alter the future cash flow forecast. After considering its plans to mitigate the going concern risk, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for a period of twelve months from the end of the reporting period.

Fair Values

The carrying values of cash, trade and other receivables, trade and other payables and borrowings approximate fair values due to the short-term nature of these items or being carried at fair value or, for borrowings, interest payables are close to the current market rates. The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

Fair value of stock options is determined using the Black-Scholes option-pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the

Company estimates the expected forfeiture rate with respect to equity settled share-based payments based on historical experience.

The fair value of the Company's deferred consideration requires estimates with respect to future performance targets, the likelihood and timing of payments, and the discount rates used in estimating the fair value gain or loss during each reporting period.

Significant New Accounting Standards Not Yet Adopted

- IAS 1, *Presentation of financial statements* ("IAS 1")

  In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent.

  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company is assessing potential impact of these changes.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at www.sedar.com.

Financial Instruments

In addition, we are exposed to a variety of financial risks in the normal course of operations including credit, market, interest rate, foreign currency and liquidity risk. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

The Board, in conjunction with management, is responsible for risk management and the identification of the principal risks of the Company's business and oversight of management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks. This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. Our Board provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risks, interest rate risks, credit risks and liquidity risks. As part of assessing and implementing appropriate policies and procedure to address specified risks, the Board may delegate financial and related risk management to the Audit Committee.

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 deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company assesses the credit worthiness of customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at April 30, 2021 as there are no material long-term borrowings outstanding subject to variable interest rates.

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar and UK pound denominated cash, trade and other receivables and trade and other payables in entities whose functional currency is other than the currency in which these financial instruments are denominated in.

A change of 1% in foreign currency exchange rates would not have a significant impact on the results of operations. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in the Company's operating results.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

Management of capital

The Company has implemented various capital policies, procedures and processes that are utilized to achieve its capital management objectives. These include optimizing the cost of capital and maximizing shareholder return while balancing the interests of stakeholders. The Company's capital is composed of share capital and borrowings, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations, acquisitions of production capability, and fixed assets to support our vertically integrated growth strategy. The Company currently funds these requirements from cash raised through past share issuances, convertible debt, other credit facilities, and funds from operations. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value.

Subsequent Events

A. On May 14, 2021, the Company initiated an extension to the brokered private placement for the issuance of 5,400,158 Subscription Receipts at $1.65 per Subscription Receipt for gross proceeds of $8,910,260. The Subscription Receipts are held in escrow until the escrow release conditions have been met by the Company. On satisfaction of the escrow release conditions, the Subscription Receipts will convert into one Class B common share at $1.65 and one-half warrant which has an exercise price of $2.00 and is exercisable for a period of 24 months. The escrow release conditions must be met on a date prior to the escrow release deadline of July 9, 2021. If escrow release conditions are not met, the Subscription Receipts will be returned to the investors.

B. The Company will issue 324,009 warrants with an exercise price of $1.65 in relation to the brokered and non-brokered financings on the escrow release date. Each warrant is convertible into one Class B common share and expires on September 11, 2022.

C. On May 3, 2021, the Board of Directors approved a grant of 200,000 RSU to several members of management. The RSUs vest over various periods up to 36 months. Subsequent to April 30, 2021, 3,681,783 RSUs have vested resulting in the issuance of 3,681,783 Class B shares.

D. On May 10, 2021, the Shareholders approved a share consolidation of 5:1 for all outstanding Class A Common Shares and Class B Common Shares. Five pre-consolidation Class A Common Shares will be exchanged for one post-consolidation Class A Common Share. Five pre-consolidation Class B Common Shares will be exchanged for one post-consolidation Class B Common Share. The share consolidation will be executed immediately prior to the three-cornered amalgamation with RG One.

E. Subsequent to April 30, 2021, the Company issued 779,629 stock options for the purchase of its Class B shares. The options have an exercise prices of $1.65 and vesting terms of immediate to 36 months. All options have an expiry date of January 5, 2027.

F. Subsequent to April 30, 2021, 125,000 options were exercised in exchange for Class B shares resulting in total proceeds of $42,500.

G. Subsequent to April 30, 2021, 79,500 warrants were exercised at rates ranging from $1.25 to $2.00 per share for total cash consideration of $109,275 in exchange for 79,500 Class B common shares.

Additional Information

Additional information relating to the Company, including the Company’s AIF is available on SEDAR at www.sedar.com.