cubicfarms

TECHNOLOGY TO FEED A CHANGING WORLD

Management's Discussion and Analysis

For the Three months Ended September 30, 2020 and 2019

Dated: November 30, 2020

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

The effective date of this MD&A is on November 30, 2020.

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

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

Forward-Looking Statements

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

About the Company and Nature of Business

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

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

CubicFarms is an ag-tech company providing farmers with automated indoor technologies to grow commercial-scale quantities of plants, fresh produce and nutritious livestock feed, anywhere on earth, 365 days a year. The Company is founded by farmers and its technologies were developed by Jack Benne, the founder of Bevo Farms, one of North America's largest plant propagation businesses and his son, Leo Benne, our current Chief Product

Officer. Few people on earth have grown more plants from seed than the Benne family, a family which has its roots in the Netherlands. Bevo's decades of world-class growing experience have cumulated in the technology now owned by CubicFarms.

In addition, CubicFarms' proprietary HydroGreen technology for growing nutritious livestock feed was developed by Dihl Grohs, a successful cattle rancher in South Dakota, Utah and Missouri. This technology was originally developed to solve a feed availability problem caused limited and variable precipitation in that area made supplying feed for cattle a challenge. HydroGreen technology was developed as one of the first low-maintenance automated commercial feed growing systems for cattle which created a straightforward, sustainable land substitute for producing feed in a manner that preserves farm profitability.

Compared to traditional farming and other vertical farming methods, growing with CubicFarms and HydroGreen:

1. Reduces the physical footprint of traditional farming while maximizing production per cubic foot,
2. Significantly lowers the use of physical labour throughout production,
3. Dramatically decreases the amount of fresh water needed,
4. Eliminates the need for harmful pesticides and herbicides,
5. Allows for a meaningful reduction in energy consumption, and
6. Growing locally greatly reduces the emission of associated greenhouse gases ("GHG").

Since inception, the Company has operated as an agriculture technology and vertical farming company and through its wholly owned subsidiaries, develops, employs and sells modular growing systems with patented and patent-pending technologies (the "System") to provide high-quality, predictable crop yields for farms around the world. The Company currently designs and manufactures Systems that produce food for both human and livestock consumption. In addition, the Company leverages its technology by operating its own R&D facility in Pitt Meadows, British Columbia, and HydroGreen manufacturing operations in Renner, South Dakota. The Company also contract manufactures equipment overseas in the People's Republic of China, taking advantage of certain supply chain cost-efficiencies.

CubicFarms' technology addresses the two most difficult challenges in the vertical farming industry - high electricity and labour costs - using unique undulating path proprietary technology, and furthermore addresses agricultural and livestock space constraints due to the high cost and limited availability of land near urban centres globally.
The products designed and manufactured by the Company are low-cost solutions that enables farmers to grow high value crops, year-round, in close proximity to consumers, even in areas with limited access to water and arable land. The Company's products use less water, labour and land than traditional farming while reducing the overall impacts of GHG production in agriculture. The Company believes that it's manufactured products grow better quality crops with higher yields at lower cost, delivering better profit margins and profits for farmers. Through proprietary technologies and its time-tested industry expertise, the Company helps farmers develop a sustainable local competitive advantage while providing consumers with fresh locally grown vegetables, livestock feed and other products.

Food security is currently in a global crisis. The COVID-19 pandemic has exposed the fragility of this global food distribution network, causing severe supply limitations internationally. Coupled with the fact that we are already using the majority of the world's available agricultural land and available water today, the result is a strained food distribution system which is not getting better. As the global population continues to grow year over year, we as a people must learn to grow more fresh food using fewer natural resources. CubicFarms' Management believes that its proprietary technologies are able to be used by farmers to create resilient local food systems which lead to local food independence and a healthier planet. This localized production will allow consumers to break free from a global supply chain that was originally designed for efficiency, but has led to a fragile and risky state for farmers, the environment and regional economies.

Corporate and Operational Highlights in Q1 Fiscal 2021

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

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

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

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

On August 7, 2020, the Company announced that Ospraie Ag Science, LLC ("Ospraie") purchased 7,500,000 common shares of the Company pursuant to private share purchase agreements, with certain shareholders, some of whom were insiders, at a purchase price of C$0.70 per common share for total consideration of C$5,250,000 (the "Transaction"). Before the Transaction, Ospraie held 22,000,630 common shares of CubicFarms, representing approximately 18.9% of the current issued and outstanding common shares on a non-diluted basis. Following the Transaction, Ospraie owns and exercises control and direction over an aggregate of 29,500,630 common shares of CubicFarms, representing approximately 24.69% of the issued and outstanding common shares of CubicFarms on a non-diluted basis.

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

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

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

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

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

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

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

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

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

Financial Results

Three months ended September 30, 2020 and 2019

Gross revenue

Three months ended	Q1 2020	$400,525	Q1 2019	$	240,701	**Change: $159,824**

The Company is still in its early stage of operations and has resulted in fluctuating sales on a quarter by quarter basis. In addition, the Company has recently acquired Hydrogreen Inc. and is the process of expanding its product portfolio and integrating its systems, operations and sales staff into the Company which has had an impact on revenues from this subsidiary. As such, the Company expects financial results to fluctuate from period to period in the near term. The Company has several main sources of revenue - revenue from sales of machines and revenue from sales of parts, seeds, nutrients, fertilizers, and substrates, as well as monthly customer support subscriptions, shipping and installation. As the Company matures, management expects to receive a larger percentage of overall sales as recurring revenues. Gross revenues realized during the three-month period ending September 30, 2020, primarily reflect shipping income associated with container shipments to a Calgary-based CubicFarms installation, as well as, consumables sales revenues, and this is compared to the same three-month period in the prior fiscal year, when only consumables sales revenue were recorded.

Operating and general administrative expenses

Three months ended	Q1 2020	$2,914,187	Q1 2019	$1,680,998	**Change: $1,233,189**

Total operating and general administrative expenses increased by $1,233,189 (or approximately 73.4%) during the three-month period ended September 30, 2020 to $2,914,187, compared to the same period in the previous fiscal year (2019 - $1,680,998). This is in line with management's expectations and as the Company continues to expand of its overall business, staff, product portfolio and capabilities accordingly. The Company's operating and general administrative expenses for three-month period ended September 30, 2020 includes salaries & consulting fees totaling $1,818,765 which was $819,416 (or approximately 82.0%) higher than the corresponding three-month fiscal period in 2019 (2019 - $999,349).

Gross margin

Three months ended	Q1 2020	80%	Q1 2019	50%	**Change: 30%**

The Company's Gross Margin Percentage for the three-month period ended September 30, 2020 was 80%, which increased by 30% when compared to the same three-month period in the prior fiscal year (September 30, 2019 – 50%). This change in gross margin for the comparative fiscal periods was primarily as a result of improved shipping costs, and improved gross margins on consumable sales.

Research & Development

Three months ended	Q1 2020	$ 667,395	Q1 2019	$ 370,820	**Change: $ 296,575**

The Company's research and development expenses in the three-month fiscal period ending September 30, 2020 increased by $296,575 (or approximately 80.0%) over the corresponding three-month fiscal period in 2019. The majority of the Company's increased research and development expenses in the three-month fiscal period ending September 30, 2020, were attributed to the continued automation of the fresh produce growing machines, and research and development associated with growing new crops in our equipment. Additional increased research and development expenditures included the expenditures associated with the development of the new 8X8

HydroGreen Feed system, which is expected to be marketed to larger commercial dairy and beef cattle farms. The majority of these research and development expenditures include salaries, materials, parts and consumables related to research activities. Research and development expenditures in the three-month period ending September 30, 2020 were in line with the Company expectations.

Net loss and comprehensive loss

Three months ended	Q1 2020	$(3,787,547)	Q1 2019	$(2,277,762)	**Change: $(1,509,785)**

The increase in the Company's net loss and comprehensive loss realized during the three-month period ending September 30, 2020 increased by $1,509,785 (or approximately 66.3%) over the corresponding three-month fiscal period in 2019. This increased net loss reflects the Company's continued growth and expansion of its overall business, including staffing additions in the fiscal quarter that management believes are necessary to both develop and sell its novel manufactured products within the global controlled-environment agricultural market.

Selected Summary of Quarterly Results

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

Period	Revenues	Income (loss) for the period $	Basic and fully diluted income (loss) per share $
1st Quarter 2021	400,525	(3,787,547)	(0.03)
4th Quarter 2020	4,063,022	(2,384,053)	(0.02)
3rd Quarter 2020	192,689	(3,459,496)	(0.04)
2nd Quarter 2020	671,076	(1,989,441)	(0.02)
1st Quarter 2020	240,701	(2,277,762)	(0.03)
4th Quarter 2019	24,110	(3,153,026)	(0.04)
3rd Quarter 2019	1,461,226	(1,669,591)	(0.02)
2nd Quarter 2019	3,870,695	(2,339,301)	(0.04)

Liquidity and Capital Resources

To date, the Company's primary source of funding has been from equity financings and the sales of both machinery, parts, consumables, and produce/crops grown on own equipment. The Company has also received debt financing from both the Business Development Bank of Canada and its commercial banking relationships.

As of September 30, 2020, the Company had cash and cash equivalents of $3,853,660 ($3,604,412 as of June 30, 2020) and working capital of $3,825,565 ($6,334,754 as at June 30, 2020). Current liabilities that are to be settled in cash as at September 30, 2020 include trade and other payables, customer deposits and warranty provision.

During the three-month period ended September 30, 2020, the Company used $3,209,764 in cash for operating activities and $48,355 in cash for its investing activities. In the same three-month fiscal period, the Company received an aggregate net cash of $3,507,368 from its financing activities.

Management expects that the Company's existing cash and cash equivalents balance will be adequate to meet the Company's expansion of facilities and operational activities in the near term. However, the Company may seek additional financings through issuance of equity, convertible-equity or debt to support further expansion and research and development activities and seek additional non-dilutive government grants and subsidies that are available.

Forward-Looking Guidance

CubicFarms Systems Sales

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

Sales and deposits

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

The Company currently has a total of 175 machines under contract and deposit. The amount of System sales orders that are pending manufacturing and installation is approximately USD $23 million. Revenue from machines is dependent on the transfer of legal title upon the completion of the sales and delivery process – consisting of the signing of the purchase agreement, deposit payments, manufacture of machines, customer's site preparation, shipping and installation of the System. Unforeseen delays attributable to the COVID-19 pandemic and the global recovery efforts employed by both individual companies and countries may delay the Company's completion of the machine sales and delivery process. Based on the Company's operating plan identified within the MD&A released at the end of the fourth fiscal quarter of 2020, the Company's first fiscal quarter of 2021 results are in alignment with management's expectations.

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

FRESH DIVISION

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

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

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

FEED DIVISION

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

Acquisition of HydroGreen

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

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

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

Joint Venture with Artex Feed Solutions

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

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

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

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

Transactions with Related Parties

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

Transactions with entities with significant influence over the Company

Rent and Office expenses paid to Bevo Farms (Refer to Note 16 in the Company's Financial Statements dated September 30, 2020).

	Three months Ended September 30, 2020 $	Three months Ended September 30, 2019 $
Rent	16,150	2, 500
Office expenses	15,031	-
Total	**31,181**	**2,500**

Key management compensation

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

	Three Months Ended September 30, 2020 $	Three Months Ended September 30, 2019 $
Wages and consulting fees	473,496	393,750
Share-based compensation	212,811	94,819
Total	**686,307**	**488,569**

Following balances are related to Related Parties:

	As on September 30, 2020	As on September 30, 2019
Accounts Receivable	38,944	13,596
Accounts Payable	34,458	11,475

On January 28, 2019 the Company completed a private placement with a strategic investor, pursuant to the investment agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest. This right is available to Nu Skin for as long as it owns not less than 8% of the Company's shares. On May 13, 2020, the Company completed a private placement with Ospraie Ag Science, LLC ("Ospraie") involving 21,739,130 common shares. On August 7, 2020, Ospraie purchased additional 7,500,000 common shares of the Company pursuant to private share purchase agreements with certain shareholders and company insiders at a purchase price of C$0.70 per common share for total consideration of C$5,250,000 as mentioned above. As of September 30, 2020, treasury issuances of common shares with Nu Skin & Ospraie are as follows:

Related Party	# of common shares	Average price	Gross proceeds ($)
Nu Skin	10,879,587	1.0039	10,920,860
Ospraie AG Science LLC*	21,739,130	0.23	4,999,986

(*) Ospraie's total number of common shares including all private sale share transactions and private placements as of the date of MD&A is 29,500,630 which represents approximately 24.69% of the issued and outstanding common shares of CubicFarms on a non-diluted basis.

Outstanding Share Data

As at the date of this MD&A, the Company has 119,704,459 common shares outstanding. The Company also has 29,117,767 share purchase options outstanding at weighted average exercise price of $0.43.

Shares outstanding as of September 30, 2020:

Class	Par Value	Number Authorized	September 30, 2020 Number Issued
Common Shares	No par value	Unlimited	119,242,793
			119,242,793

Summary of options outstanding as of September 30, 2020:

Grant date - Expiry date	Options Outstanding (#)	Contractual life of options years	Exercise price $	Options Exercisable (#)
May 3, 2017-April 1, 2027	14,130,096	10	0.19	5,434,624
November 1, 2017 - January 30, 2023	2,869,670	5	0.19	1,501,400
March 20, 2018 - March 30, 2023	421,667	5	0.19	352,667
July 15, 2018 – July 15, 2023	7,238,000	5	0.83	1,805,400
June 18, 2019 –September 15, 2020	300,000	1	1	300,000
June 18, 2019 – December 15, 2023	605,000	5	1	385,000
September 03, 2019- September 02, 2024	10,000	5	0.68	2,000
November 14, 2019 –November 13, 2024	100,000	5	0.51	33,333
November 30, 2019-December 30, 2024	50,000	5	1	50,000
December 02, 2019-December 01, 2024	10,000	5	0.39	3,333
June 17, 2020 -June 18, 2025	3,620,000	5	0.63	1,206,667
Total share purchase options	**29,354,433**			**11,074,424**

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed. The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Subsequent Events

On October 6, 2020, the Company announced the sale of an automated, controlled-environment system to Agragene Inc. ("Agragene"), a San Diego, US-based ag-tech company developing novel biological pest protection for crops, utilizing live sterile male insects as a form of insect pest control. This sale marks a new vertical for CubicFarms' fresh produce system, which will now be used by Agragene to grow insects predictably in an indoor, controlled environment.

On October 8, 2020, the Company announced the appointment of Mr. Dan Schmidt to the role of Senior Vice President of Global Sales, effective October 5th. For this new role, Mr. Schmidt is responsible for growing and leading the Company's global sales strategy as it enters its next phase of rapid growth. Mr. Schmidt has spent more than twenty (20) years forging a successful, proven track record for building commercial brands with some of the largest heavy agricultural equipment manufacturers in the world. He has been responsible for establishing and growing independent dealer-partner channel relationships for multi-national organizations, including John Deere, JCB and Stanley Infrastructure, while mentoring, developing and advancing the teams that work with him.

Prior to joining the Company, Mr. Schmidt served as Vice President of Sales at Stanley Infrastructure, a division of Stanley Black & Decker – a manufacturer of hydraulic attachment tools – and led the integration of five independent sales organizations into one division comprising 180 sales staff and approximately US$500 million in annual revenue. He holds a Bachelor of Business Administration in Political Science and Business Communications from the University of Kansas, and a Masters of Business Administration from the University of Georgia's Terry School of Business.

On November 23, 2020, the Company announced that announced that its automated, controlled-environment growing technology has been selected by Aright Greentech Canada Ltd. ("Aright), a British Columbia –based agriculture investor-operator, to grow commercial quantities of fresh produce ("the Abbotsford agreement") for retail markets in the Abbotsford and Chilliwack regions in British Columbia, Canada.

The Company's commercial agreement with Aright for the sale of 16 CubicFarms machines includes 14 growing machines, two propagation machines and an irrigation system, representing a total of approximately CAD$2.8 million (including installation and shipping) in sales revenues to the Company. The system is expected to be installed in Abbotsford by August 2021. The Company has received a deposit from Aright with respect to the commercial agreement. The Company's patented CubicFarms technology will enable Aright to grow high-quality foods, with predictable crop yields indoors, all year round. Aright also plans to expand its systems after successful completion of Phase 1 in Abbotsford.

On November 25, 2020, the Company announced that its automated, controlled-environment growing technology has been selected by Vertical Acres Farm LLC ("Vertical Acres"), an Indiana-based produce company, to grow commercial quantities of fresh produce for the region.

The Company's commercial agreement with Vertical Acres is for the sale of 21 CubicFarms machines, including 17 cultivators, three propagators, and one fertigator, for a complete CubicFarm installation. The agreement, which includes a deposit received from Vertical Acres, represents approximately C$3.8 million in anticipated revenue to the Company. The technology is expected to be installed in Indiana in the first half of 2021.

The Company also announced that pursuant to a non-brokered private placement (the "Offering"), the owners of Vertical Acres have agreed to purchase 225,000 common shares of the Company at a purchase price of C$0.78 per common share for gross proceeds of C$175,500.

The Company intends to use the proceeds of the Offering for general working capital purposes. Closing of the Offering is subject to approval of the TSX Venture Exchange.

Financial Instruments and Other Instruments

The Company's financial instruments consisted of cash and cash equivalent, trade and other receivables, trade and other payables, earn out payable, loan payable and financial derivative liability. The carrying value of the Company's Cash & Cash Equivalent, Trade and other receivables, Trade and other payables approximate fair value due to their immediate short-term nature. The fair value for earn-out payable is classified as Level 3 of the fair value hierarchy. The fair value of earnout consideration is estimated by assessing the probabilities of achieving these milestones and discounting the revenue cash flow over the life of the payment period of five years and recognized as at the acquisition date of Hydrogreen Inc. The fair value of financial derivative liability is estimated using consolidated enterprise value of the Company to determine the variable bonus payout.

The Company classifies its fair value measurements with the following fair value hierarchy:

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

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

Level 3 – Unobservable imports which are supported by little or no market activity.

There has been no change between levels during the year. The Company's risk management contracts are classified as Level 2. The details of Fair value of the Company's financial instruments is provided in Note 21 of the Company's Financial Statements dated September 30, 2020

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge any obligations. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness and the loans and advances will be secured by the assets of the Company which mitigates the credit risk. For sales normally 10% is due on signing of contract, 40% due 30 days prior to shipping another 40% due 90 days prior to shipping and 10% due upon successful set up on site, within 30 days of completion. As at September 30, 2020, one customer accounted for 65% of the trade accounts receivable which management doesn't expect to have any issues for collection. The Company performs regular credit assessments on its customers and associates and provides allowances for potentially uncollectible accounts receivable and associates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets it financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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

Foreign currency risk

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

	September 30, 2020	June 30, 2020
	$	$
Cash	399,854	93,424
Accounts receivable	662,187	1,446,332
Accounts payable	(325,755)	(313,060)
Customer deposits	(306,337)	(243,883)
Earn out Payable	(1,023,131)	(1,001,457)
Loan Payable	(172,508)	(165,194)
Net exposure	**(765,692)**	**(1,151,898)**

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

A 10% increase or decrease in the US dollar exchange rate would have $77,000 impact on the Company's net loss.

COVID-19 Disclosure

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Additional Information & Approval

Additional information relating to the Company is on SEDAR at www.sedar.com.
The Board has approved the disclosure contained in this MD&A as of November 30, 2020.