



CubicFarm Systems Corp.
Condensed Interim Consolidated Financial Statements
For The Three Months Ended September 30, 2020 and 2019
(Unaudited)

Financial Statements

Condensed Interim Consolidated Statements of Financial Position.....	1
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.....	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows.....	4
Notes to the Condensed Interim Consolidated Financial Statements.....	5 to 23

CubicFarm Systems Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Notes	September 30, 2020	June 30, 2020
		\$	\$
Assets			
Current			
Cash & Cash Equivalent		3,853,660	3,604,412
Trade & Other Receivables	5	1,295,908	2,186,568
Inventory	6	3,562,043	2,702,344
Prepaid expenses & Deposits		2,179,525	1,622,799
		10,891,136	10,116,123
Non-current			
Goodwill	7	1,920,826	1,834,755
Property, Plant and Equipment	8	2,512,466	2,596,770
Investment in Associates		21	21
Intangible Assets	9	5,067,474	5,090,972
Right-of-Use Asset	10	1,843,436	1,501,966
		11,344,223	11,024,484
Total assets		22,235,359	21,140,607
Liabilities			
Current			
Trade & Other Payables	11	1,424,508	1,298,599
Earn-Out Payable		290,915	290,915
Customer Deposits	12	2,109,249	1,709,666
Lease Payable	10	391,443	170,558
Loan payable	13	2,636,724	60,531
Warranty Provision	14	212,732	251,100
		7,065,571	3,781,369
Non-current			
Lease Payable	10	1,296,927	1,219,084
Restoration Provision	10	132,171	132,267
Loan payable	13	185,468	204,590
Deferred Tax Liability		337,726	345,035
Earn-Out Payable		1,073,841	1,073,841
Total liabilities		10,091,704	6,756,186
Equity			
Share Capital	17	33,465,093	31,825,583
Shares issuable		-	270,778
Equity Reserves		2,554,533	2,376,484
Accumulated other comprehensive income (Deficit)		(37,903)	(18,651)
		(23,838,068)	(20,069,773)
Total equity		12,143,655	14,384,421
Total liabilities and equity		22,235,359	21,140,607
Going Concern	3		

Approved on behalf of the Board

Director

Director

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

CubicFarm Systems Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)
(Expressed in Canadian dollars)

For the Three months ended			
	Notes	September 30, 2020	September 30, 2019
		\$	\$
Revenue		400,525	240,701
Cost of sales		81,793	120,701
Gross margin		318,732	120,000
Operating and General administration expenses	15	2,914,187	1,680,998
Warranty expense		10,610	-
Selling expenses		116,566	23,050
Research & Development		667,395	370,820
Share based compensation	18	231,812	137,125
		3,940,570	2,211,993
Loss before other income (expense)		(3,621,838)	(2,091,993)
Other income (expense)			
Other income		102,419	-
Finance income		7,092	41,388
Finance expense		(107,428)	(13)
Accretion charge	10	(21,973)	(400)
Foreign exchange gain(loss)		9,466	(7,318)
Gain on disposal of PPE		(1,213)	-
Loss on investment in associate		-	(40,340)
Public listing		-	(33,466)
Bad Debt expense		(129,325)	(145,620)
		(140,962)	(185,769)
Loss before Income tax		(3,762,800)	(2,277,762)
Income taxes recovery		(5,495)	-
Net Loss for the period		(3,768,295)	(2,277,762)
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Foreign currency translation loss		(19,252)	-
Total Comprehensive loss		(3,787,547)	(2,277,762)
Basic & Diluted per share		\$ (0.03)	\$ (0.03)

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

CubicFarm Systems Corp.
Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	No of Shares	Common Share capital	Preferred Share capital	Equity Reserves	Other Comprehensive Income	Shares Issuable	Deficit	Total equity
		#	\$	\$	\$	\$	\$	\$	\$
Balance, June 30, 2019		84,179,714	22,740,341	-	1,411,110	-	-	(9,977,672)	14,173,779
Net loss for the period		-	-	-	-	-	-	(2,277,762)	(2,277,762)
Exercise of stock options	17	119,000	42,134	-	(19,524)	-	-	-	22,610
Issuance of shares, net of share issuance costs	17	158,171	149,804	-	-	-	-	-	149,804
Share-based payments		-	-	-	243,709	-	-	-	243,709
Balance, September 30, 2019		84,456,885	22,932,279	-	1,635,295	-	-	(12,255,434)	12,312,140
Balance, June 30, 2020		116,315,015	31,825,583	-	2,376,484	(18,651)	270,778	(20,069,773)	14,384,421
Net loss for the period		-	-	-	-	-	-	(3,768,295)	(3,768,295)
Exercise of stock options	17	341,333	121,211	-	(55,657)	-	-	-	65,554
Issuance of shares, net of share issuance costs	17	1,659,600	1,161,450	-	-	-	-	-	1,161,450
Issuance of share for acquisition of Hydrogreen Inc.	17	926,845	356,849	-	-	-	(270,778)	-	86,071
Foreign currency translation		-	-	-	-	(19,252)	-	-	(19,252)
Share-based payments		-	-	-	233,706	-	-	-	233,706
Balance, September 30, 2020		119,242,793	33,465,093	-	2,554,533	(37,903)	-	(23,838,068)	12,143,655

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

CubicFarm Systems Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the three months ended

	September 30, 2020	June 30 2020
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net loss for the period	(3,768,295)	(2,277,762)
Depreciation - Property, plant and equipment	134,509	108,263
Depreciation - Right-of-use asset	112,664	5,101
Accretion charges	21,994	400
Amortization	23,595	21,322
Gain on disposal of property, plant and equipment	1,213	-
Provision for bad debt	129,325	145,620
Foreign exchange	(19,252)	-
Deferred Tax Liability	(7,309)	-
Share-based payments	233,706	243,709
Legal fees on business loan acquisition	41,796	-
Accretion and interest on business loan	52,083	-
Loss on investment in associate	-	40,340
Interest income	(7,092)	(41,388)
	(3,051,063)	(1,754,395)
Changes in working capital accounts		
Trade and other receivables	761,582	413,194
Inventories	(859,699)	(675,169)
Prepaid expenses and deposits	(556,726)	(1,534,904)
Trade and other payables	134,926	(693,293)
Customer deposits	399,583	-
Warranty drawdown	(38,368)	(136,880)
	(158,702)	(2,627,052)
Investing activities		
Purchases of property, plant, and equipment	(56,947)	(86,874)
Proceeds from disposal of property, plant and equipment	1,500	-
Promissory note, associate	-	(50,000)
Interest Income	7,092	41,388
	(48,355)	(95,486)
Financing activities		
Issuance of shares	1,161,450	149,804
Exercise of stock options	65,554	22,610
Lease payments	(177,840)	(2,500)
Proceeds from Business Loan net of financing fees	2,458,204	-
	3,507,368	169,914
Increase (decrease) in cash and cash equivalents	249,248	(4,307,019)
Cash and cash equivalents, beginning of period	3,604,412	9,900,987
Cash and cash equivalents, end of period	3,853,660	5,593,968

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)(Expressed in Canadian dollars, unless otherwise stated.)

1. Reporting entity

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

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

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

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

2. Statement of compliance

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements in compliance with the International Accounting Standard 34 Interim Financial reporting ("IAS 34") as issued by International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2020, which have been prepared in accordance with IFRS.

The Board of Directors approved these interim condensed consolidated financial statements on November 30, 2020.

3. Going concern

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

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

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

3. Going concern (continued)

The Company incurred a total comprehensive loss of \$3,768,295 for the quarter ended September 30, 2020 (2019- \$2,277,762) and has accumulated a deficit of \$23,838,068 on September 30, 2020 (June 30, 2020 - \$20,069,773). As at September 30, 2020, the company has working capital of \$3,825,565 compared with \$6,334,754 at June 30, 2020.

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

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

4. Basis of preparation and significant accounting policies***Basis of measurement***

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

Basis of consolidation

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

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)(Expressed in Canadian dollars, unless otherwise stated.)

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

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

Significant Accounting Policy**Loans**

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Loans are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial Derivative Liability

Derivates are initially recognized at their fair value on the date of the derivate contract is entered into and subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in the consolidated statement of loss and other comprehensive loss. The embedded derivative arises from the prepayment option of business loan from Business Development Bank of Canada ("BDC") and variable loan bonus the valuation of financial derivative liability for variable loan bonus is determined by consolidated enterprise value. The fair value of the embedded derivative as at September 30, 2020 was \$nil and is accounted for at FVTPL.).

Significant accounting judgements, estimates and assumptions

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

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

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

Loan Payable & Financial Derivative Liability

Loan Payable & Financial Derivate Liability values involve significant judgement. The Company estimates loan payable at inception and is carried at amortized cost, whereas fair value of financial derivative liability is reviewed and adjusted on a quarterly basis based on the consolidated enterprise value of the Company to determine the variable bonus payout.

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

5. Trade and Other Receivables

Current	September 30, 2020	June 30, 2020
	\$	\$
Trade accounts receivable	1,483,963	2,461,080
Less: Provision for bad debt	(476,018)	(457,927)
Note receivable	551,815	434,142
Less: Provision for loss on Short term receivable (Note Receivable & Interest Receivable)	(551,815)	(434,142)
Goods and services tax receivable	185,444	80,896
Other Receivable	102,519	102,519
	1,295,908	2,186,568

Non-Current	September 30, 2020	June 30, 2020
	\$	\$
Note receivable	205,874	205,874
Interest receivable	43,233	37,057
Less: Provision for loss on Short term receivable (Note Receivable & Interest Receivable)	(249,107)	(242,931)
	-	-

Aging

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

	September 30, 2020	June 30, 2020
	\$	\$
Current or under 60 days	239,488	1,820,310
Past due 61 to 90 days	2,354	127,261
Past due more than 90 days	1,242,121	513,508
	1,483,963	2,461,080

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

5. Trade and Other Receivables (continued)**Continuity for Provision for bad debt**

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
	\$	\$
Opening	457,927	50,845
Addition during the period	18,091	407,082
Amount collected	-	-
Closing balance	476,018	457,927

Other Receivable consists of reimbursement of expenses by customers and accrued income. The Company's trade and other receivables have been reviewed for indicators of impairment. For the quarter ended September 30, 2020, bad debt of \$129,325 were made as expected credit losses and recorded under Other income (expense) (2019-\$145,620). The amount of \$13,299 was provided for allowance for bad debt related to related parties for the quarter ended September 30, 2020 (\$67,302 for quarter ended September 30, 2019) apart from \$123,849 for promissory notes issued to Swiss Leaf in the quarter (\$78,318 for quarter ended September 30, 2019).

6. Inventory

	September 30, 2020	June 30, 2020
	\$	\$
Systems	3,464,731	2,661,784
Seeds and other supplies	94,405	31,565
Packaging and other	2,907	8,994
	3,562,043	2,702,344

System is the container in hand available for sale by the Company. The net realizable value of inventory as on September 30, 2020 and June 30, 2020 is higher than the cost so the Company has reported the inventory at cost in the financial statement. Inventory to the value of \$151,427 has been recognized as Cost of Sales in the Income Statement.

7. Goodwill

	September 30 2020	June 30 2020
	\$	\$
Opening balance	1,834,755	-
Goodwill on acquisition of Hydrogreen Inc.	-	1,834,755
Foreign exchange adjustment	86,071	-
Closing balance	1,920,826	1,834,755

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

8. Property, plant, and equipment

	Production equipment	Other Production Equipment	Leasehold Improvement	Furniture and fixtures	Other equipment	Construction In Progress	Computer equipment	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
Balance June 30, 2020	1,534,779	630,282	308,300	30,279	333,186	320,278	183,901	3,341,005
Additions	-	-	15,912	36,123	-	-	4,912	56,947
Disposals	-	-	-	-	-	-	(4,559)	(4,559)
Currency translation adjustment	-	-	(3,015)	(20)	(652)	-	(281)	(3,968)
Balance September 30, 2020	1,534,779	630,282	321,197	66,382	332,534	320,278	183,973	3,389,425
Accumulated depreciation								
Balance June 30, 2020	197,944	311,530	73,533	7,531	99,096	-	54,601	744,235
Depreciation	38,369	49,957	20,165	4,601	10,365	-	11,052	134,509
Disposals	-	-	-	-	-	-	(1,846)	(1,846)
Currency translation adjustment	-	-	154	(3)	(50)	-	(40)	61
Balance September 30, 2020	236,313	361,487	93,852	12,129	109,411	-	63,767	876,959
Net book value, September 30, 2020	1,298,466	268,795	227,345	54,253	223,122	320,278	120,206	2,512,466
Net book value, June 30, 2020	1,336,835	318,752	234,767	22,748	234,090	320,278	129,300	2,596,770

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

9. Intangible Assets

	Patent	Development Assets	Intellectual Property	Total
Cost	\$	\$	\$	\$
Balance June 30 2020	50,000	1,136,810	4,143,683	5,330,493
Additions	-	-	-	-
Disposals	-	-	-	-
Balance September 30 2020	50,000	1,136,810	4,143,683	5,330,493
Accumulated depreciation				
Balance June 30 2020	10,080	225,088	4,255	239,424
Depreciation	859	22,736	0	23,595
Disposals	-	-	-	-
Currency translation adjustment				
Balance September 30 2020	10,939	247,825	4,255	263,019
Net book value, September 30, 2020	39,061	888,985	4,139,427	5,067,474
Net book value, June 30, 2020	39,920	911,722	4,139,330	5,090,972

10. Lease

The Company added new lease for the modular office at Pitt Meadows, British Columbia. The lease term is for 18 months. The Company also added new lease for the corporate office at Langley, British Columbia. The lease term is for 12 months with expectation of extension for another six months renewals. The liability for both the leases was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 10%.

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

	September 30, 2020		
Lease Liability	Canada	United States	Total
Balance as at June 30, 2020	70,400	1,319,242	1,389,642
Addition during the period	482,493	-	482,493
Payments	(118,177)	(59,663)	(177,840)
Accretion expense	1,618	20,376	21,994
Currency translation adjustment	-	(27,919)	(27,919)
Ending	436,334	1,252,036	1,688,370
Current	(232,824)	(158,619)	(391,443)
Long term	203,510	1,093,417	1,296,927

	June 30, 2020		
Lease Liability	Canada	United States	Total
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	79,974	-	79,974
Additions during the year	-	1,389,612	1,389,612
Payments	(10,000)	(81,409)	(91,409)
Accretion expense	426	20,781	21,207
Currency translation adjustment	-	(9,741)	(9,741)
Ending	70,400	1,319,242	1,389,642
Current	(8,927)	(161,631)	(170,558)
Long term	61,473	1,157,611	1,219,084

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

10. Lease (continued)

	September 30, 2020		
Right of Use Asset	Canada	United States	Total
Balance as at June 30, 2020	163,806	1,338,160	1,501,966
Addition during the period	482,494	-	482,494
Depreciation (Operating & General Admin expenses)	(64,382)	(48,282)	(112,664)
Currency translation adjustment	-	(28,360)	(28,360)
Ending	581,918	1,261,518	1,843,436

	September 30, 2020		
	Canada	United States	Total
Cost	666,762	1,376,465	2,043,227
Less: Accumulated Depreciation	(84,844)	(114,947)	(199,791)
Net Book Value	581,918	1,261,518	1,843,436

	June 30, 2020		
Right of Use Asset	Canada	United States	Total
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	184,268	-	184,268
Additions during the year	-	1,389,612	1,389,612
Depreciation (Operating & General Admin expenses)	(20,462)	(68,095)	(88,557)
Currency translation adjustment	-	(9,741)	(9,741)
Ending	163,806	1,338,160	1,501,966

	June 30, 2020		
	Canada	United States	Total
Cost	184,268	1,406,255	1,590,523
Less: Accumulated Depreciation	(20,462)	(68,095)	(88,557)
Net Book Value	163,806	1,338,160	1,501,966

	September 30, 2020		
Restoration Provision	Canada	United States	Total
Balance as at June 30, 2020	105,723	26,544	132,267
Addition during the period	-	-	-
Accretion	360	107	467
Currency translation adjustment	-	(563)	(563)
Ending	106,083	26,088	132,171

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

10. Lease (continued)

	June 30, 2020		
Restoration Provision	Canada	United States	Total
Balance as at July 1, 2019	-	-	-
Adoption of IFRS 16	104,294	-	104,294
Addition during the period	-	26,924	26,924
Accretion	1,429	161	1,590
Currency translation adjustment	-	(541)	(541)
Ending	105,723	26,544	132,267

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

11. Trade and other payables

Trade and other payables consist of:

	September 30, 2020	June 30, 2020
	\$	\$
Trade Payable	1,147,419	978,860
WCB Payable	6,662	8,726
PST Payable	79,920	27,322
Accrued Expenses	190,507	283,691
Total	1,424,508	1,298,599

12. Customer deposits

Customer deposits consist of funds paid by customers for systems based on the sales agreement. The customer may cancel the order prior to shipping of the equipment, subject to the following restocking fees. If the customer cancels the order before the manufacturing of the equipment has commenced, the customer shall pay a restocking fee equal to ten percent (10%) of the purchase price. If the customer cancels the order thereafter but prior to shipping of the equipment, the customer shall pay a restocking fee equal to twenty percent (20%) of the purchase price. The order shall not be cancellable after shipping of the equipment.

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

	September 30, 2020	June 30, 2020
	\$	\$
Opening balance	1,709,666	2,280,305
Additions	731,610	2,182,070
Recognized into revenue	(332,027)	(2,399,097)
Deposit forfeited recognized as Revenue	-	(350,936)
FX Adjustment for Deposit Forfeited	-	(2,675)
Ending balance	2,109,249	1,709,666

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

13. Loan Payable

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

	September 30, 2020	June 30, 2020
	\$	\$
Agriculture Interest Free Loan – Initial recognition (January 1, 2020)	70,258	73,141
Currency Translation adjustment	7,938	(2,883)
Agriculture Interest Free Loan - end of period	78,196	70,258
Less: current portion	-	-
Non-current portion	78,196	70,258

	September 30, 2020	June 30, 2020
	\$	\$
Opening Balance Government Relief Loan	194,863	-
Addition during the year	-	194,863
Currency translation adjustment	(2,950)	-
Government Relief Loan - end of period	191,913	194,863
Less: current portion	(84,641)	(60,531)
Non-current portion	107,272	134,332

Business Loan

On July 20, 2020, the Company signed an agreement with the Business Development Bank of Canada ("BDC") for a loan up to \$5,000,000. The interest is payable monthly and is currently at 10% which is set at fixed rate of 4.9% and variable rate of 5.1% per year. The variance rate will be decreased by 1% for the remaining terms once the Company is able to complete two consecutive fiscal quarters with positive consolidated EBITDA results. On August 28, 2020, the Company received \$2,458,204 out of \$2,500,000 first tranche payment. The second tranche of \$2,500,000 will be provided by BDC when the stipulated conditions in the agreement are met by the Company. If the second tranche is not availed by the Company, there is a standby fee of 6% on outstanding balance payable by the Company. The Principal amount of loan is payable in monthly installments of \$50,000 commencing on July 15, 2021 and continuing up to the maturity date of July 15, 2025 on which one balloon payment of \$2,650,000 is required.

The loan may be prepaid at any time for all or part of the outstanding principal plus all interest and any other fees that are applicable plus the prepayment bonus which consists of interest differential charge and the prepayment indemnity. The prepayment option is considered to be an embedded derivative with a fair value of nil at the date of issuance and at September 30, 2020. In Addition to scheduled payment, principal of the Financing shall be reimbursed by way of annual payments representing 30% of Excess Available Funds as determined at the end of the last fiscal year to the maximum of 700K for each annual payment (Annual ECFS limit" payable on Sept 15 each year commencing in September 2021 (ECFS

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

13. Loan Payable (continued)

date). For greater certainty, any such annual payment is payable only if Excess Available funds as determined at the end of the last fiscal year is a positive figure. The loan is secured by general security agreement granting a general and continuing security interest in all present and after acquired personal property without limiting the foregoing, on all present and future assets related to intellectual property including, without limitation, patents, trademarks, domain names, source codes, licenses and any other forms of intellectual property of the Company. This security interest shall rank in first position with respect to the Intellectual Property but subordinated in rank to any other security granted i) on receivable and inventory ii) previously to financial institutions except intellectual property and iii) on specific assets in connection with the financing of equipment needed by the Company.

The legal fees of \$41,796 related to the loan is expensed as financing charges in the consolidated statement of loss and other comprehensive loss.

There is also a provision for payment of variable loan bonus equal to 5% of consolidated enterprise value of up to \$33Million and 1% of Consolidated Enterprise Value above \$33Million in the event of maturity or payment of loan or occurrence of any other events stipulated in the loan agreement. The Consolidated Enterprise Value of the Company is determined as highest of the following:

- i) 5 x Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) for the last financial year prior to the bonus event;
- ii) 5 x average EBITDA for the last two most recent financial years prior to the bonus event;
- iii) Market valuation on stock exchange at the time of payout;
- iv) 0.5 x consolidated audited annual gross sales of the Company for the last financial year prior to the bonus event; or;
- v) 0.5 x average consolidated audited annual gross sales of the Company for the last two most recent financial year prior to the bonus event.

As at September 30, 2020 the Company had outstanding financial derivative liability of \$Nil (PY-\$Nil). Derivates are initially recognized at their fair value on the date of the derivate contract is entered into and subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in the consolidated statement of loss and other comprehensive loss.

BDC Loan Continuity

	September 30, 2020	June 30, 2020
	\$	\$
Loan Payable – Initial recognition (July 20, 2020)	2,500,000	-
Less: Financing charges	(41,796)	-
Net Loan Proceeds	2,458,204	-
	September 30, 2020	June 30, 2020
	\$	\$
Loan Payable – Initial recognition (July 20, 2020)	2,500,000	-
Accretion and capitalized interest	52,083	-
Loan Payable- end of period	2,552,083	-

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

14. Warranty Provision

	September 30, 2020	June 30, 2020
	\$	\$
Opening balance	251,100	388,649
Additions	-	89,190
Fulfillment	(38,368)	(226,739)
Ending balance	212,732	251,100

15. Operating & general administration expenses

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
	\$	\$
Depreciation and Amortization	269,080	134,686
Consulting	381,131	370,278
Salary and Benefits	1,437,634	629,071
Professional Fees	229,501	117,663
Other expenses	596,841	429,300
	2,914,187	1,680,998

16. Related party transactions

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

Transactions with entities with significant influence over the Company

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

16. Related party transactions (continued)

	As at September 30, 2020	As at June 30, 2020
Accounts Receivable	39,214	13,596
Accounts Payable	34,458	11,475

On January 28, 2019 the Company completed a private placement with Nu Skin, pursuant to the investment agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest. This right is available to Nu Skin for as long as it owns not less than 8% of the Company's shares. On May 13, 2020, the Company completed a private placement with Ospraie Ag Science, LLC "Ospraie" involving 21,739,130 common shares. On July 23, 2020 the Company completed a private placement with institutional investor Harry DeWit and some key management personnel of the Company. As at September 30, 2020, common shares transactions with Nu Skin & Ospraie Ag are as follows:

Fiscal Year	Related Party	# of common shares	Average price	Gross proceeds (\$)
2019	Nu Skin	10,721,416	1.00463	10,771,056
2020	Nu Skin	158,171	0.9471	149,804
2020	Ospraie	21,739,130	0.23	4,999,986
2021	Harry DeWit	1,429,000	0.6998	1,000,030

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

17. Share capital

	Number of common shares	Impact on share capital	Equity Reserve
	#	\$	\$
Balance-June 30, 2019	84,179,714	22,740,341	1,411,110
Private Placement (i), (ii),(iii)	31,897,301	9,000,976	-
Options exercised (iv)	238,000	45,220	-
Share Based Compensation	-	-	1,004,420
Transfer from equity reserves	-	39,046	(39,046)
Balance-June 30, 2020	116,315,015	31,825,583	2,376,484
Private Placement (v)	1,659,600	1,161,450	-
Holdback shares issue (vi)	926,845	356,849	-
Share Based Compensation	-	-	233,706
Options exercised (iv)	341,333	65,553	-
Transfer from equity reserves	-	55,657	(55,657)
Balance-September 30, 2020	119,242,793	33,465,093	2,554,533

- i) Financing arrangement with Nu Skin 158,171 common shares @ \$0.9471 per share.
- ii) Issue of 10,000,000 shares to Hydrogreen Inc. acquisition @ \$0.3851 per share.
- iii) Financing arrangement with Ospraie 21,739,130 common shares @ \$0.23 per share.
- iv) Options exercised by option holders @ \$0.19 per share.
- v) Financing arrangement with Harry DeWit and some key management employees of the Company at average price of \$0.6998 per share
- vi) Issue of 926,845 holdback shares to Hydrogreen Inc. acquisition @0.3851 per share.

18. Stock options

The Company has an ownership-based compensation plan ("Option Plan") for key management personnel and employees of the Company. The compensation plan as approved by the shareholders provides the key management personnel and employees with the option to purchase ordinary shares at an exercise price as listed below. Once vested, at the option of the Company, each share unit entitles the participant to receive one common share of the Company at the end of a specified period or a right to receive an amount of cash equal to the market value of the vested share unit on the payment date.

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

The number of the options granted is calculated in accordance with the various employee and contractor arrangements. The formula rewards key management personnel and certain contractors to the extent of the Company's and individual/contractor achievement against qualitative and/or quantitative criteria from including some of the following financial and customer service measures:

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

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

18. Stock options (continued)

Share purchase options continuity schedule:

	Number of share purchase options	Weighted average exercise price
		\$
Balance, June 30, 2019	29,655,766	0.45
Granted	3,790,000	0.63
Exercised	(238,000)	0.19
Cancelled	(2,572,000)	0.86
Balance, June 30, 2020	30,635,766	0.44
Granted	-	
Exercised	(341,333)	0.19
Cancelled	(940,000)	0.83
Balance, September 30, 2020	29,354,433	0.43

During the period ended September 30, 2020, the weighted average price of share when options was exercised was \$0.98 (June 30, 2020 - \$0.75).

Share purchase options outstanding at 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

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

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

18. Stock options (continued)

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
	\$	\$
SBC for vendors (included in Operating & General Administration expenses)	1,894	106,584
SBC for employees & directors (Presented in Income Statement)	231,812	137,125
Total SBC	233,706	243,709

19. Operating Segments

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

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

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

(c) for which discrete financial information is available.

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

Three months ended September 30, 2020

	Canada	United States	Total
	\$	\$	\$
Revenue	393,282	7,243	400,525
Gross Margin	313,314	5,418	318,732
Net Loss	(2,801,802)	(960,998)	(3,762,800)
Total Assets	14,041,254	8,194,104	22,235,358

Three months ended September 30, 2019

	Canada	United States	Total
	\$	\$	\$
Revenue	240,701	-	240,701
Gross Margin	120,000	-	120,000
Net Loss	(2,277,762)	-	(2,277,762)
Total Assets	21,140,607	-	21,140,607

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

20. Capital management

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

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

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

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

	September 30, 2020	June 30, 2020
Total Assets	22,235,359	21,140,607
Total Liabilities	(10,091,704)	<u>(6,756,186)</u>
Net Equity	12,143,655	14,384,421

21. 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 inputs 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 inputs which are supported by little or no market activity.

There has been no change between levels during the year.

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

21. Financial Instruments and Other Instruments (continued)

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

As at September 30, 2020				
Asset (Liability)	FVTPL	Amortized Cost	Fair Value	
			Level 1	Level 3
Cash and Cash Equivalent	3,853,660	-	3,853,660	-
Trade and other Receivables	-	1,295,908	-	-
Trade and other payables	-	(1,424,508)	-	-
Earn out Payable	(1,364,756)	-	-	(1,364,756)
Loan Payable	-	(2,822,192)	-	-
Financial Derivative Liability	-	-	-	-

As at June 30, 2020				
Asset (Liability)	FVTPL	Amortized Cost	Fair Value	
			Level 1	Level 3
Cash and Cash Equivalent	3,604,412	-	3,604,412	-
Trade and other Receivables	-	2,186,568	-	-
Trade and other payables	-	(1,298,598)	-	-
Earn out Payable	(1,364,756)	-	-	(1,364,756)
Loan Payable	-	(265,121)	-	-

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.

CubicFarm Systems Corp.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2020

(Unaudited)

(Expressed in Canadian dollars, unless otherwise stated.)

21. Financial Instruments and Other Instruments (continued)***Liquidity risk***

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

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

Foreign currency risk

The Company enters into transactions denominated in US dollars for which the related revenues, expenses, accounts receivable, and accounts payable balances are subject to exchange rate fluctuations. As at 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)	(183,838)

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.



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
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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
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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%
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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
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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)
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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 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 meet its 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.