BIOME GROW INC.

("Biome" or the "Company")
Quarterly Report
Quarter Ended March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date of Report: May 29, 2019

The following management's discussion and analysis ("MD&A") has been prepared as of May 29, 2019 and should be read in conjunction with the consolidated financial statements and accompanying notes for the period ended March 31, 2019, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements include, but are not limited to, statements regarding the expected performance of the Company's business and operations; the Company's expectations regarding revenues, expenses and anticipated cash needs and the ability to secure such cash needs in a timely manner and on terms acceptable to the Company; the intention to grow the Company's business and operations and the timing associated therewith; the expectation of an increase in product demand in the various selling jurisdictions and the timing associated therewith and the ability of the Company to satisfy such demand. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our expectation with respect to our expansion projects.

Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "aims", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements, by their very nature, are subject to numerous risks and uncertainties, some of which are beyond the Company's control, and are not guarantees of future performance. Forward-looking statements and information are based on the opinions and estimates of management at the date the statements are made, as well as a number of assumptions made by, and information currently available to, the Company concerning, among other things, anticipated market demand for cannabis, the availability of additional capital to finance growth and future research and development, anticipated revenue and cash flow from the sale of cannabis products, the Company's ability to obtain necessary governmental permits and approvals in a timely manner and on commercially reasonable terms, access to and availability of components (including personnel) to develop the Company's operations, all of which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and information.

These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors *regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.*

Factors that could cause actual results to differ materially from those in forward-looking statements include risks related to the Company's limited operating history, general business, economic, competitive, political and social uncertainties, uncertain and volatile equity and capital markets, lack of available capital, future demand for cannabis, lack of market acceptance or demand for the Company's products, the need for significant additional capital, changes in government legislation, environmental risks and hazards, infrastructure and/or operating costs, labor and employment matters, inability to secure necessary permits and approvals on a timely basis or at all, uncertainties involved in interpreting marketing and sales data, defects in the Company's title to its intellectual property, third party infringement claims, cost increases, exchange rate fluctuations, the Company's dependence on key personnel, as well as those factors discussed in the Company's Listing Statement available for review on SEDAR. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. The Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

1.2 Nature of Business

Biome Grow Inc. (the "Company") was incorporated under the laws of the Province of Ontario on November 22, 2016. The head office and principal business of the Company is 1401 - 480 University Avenue, Toronto, Ontario.

The Company is in the cannabis industry. On May 19, 2017, the Company acquired 100% interest in Highland Grow Inc. ("Highland Grow") (formerly THC Dispensaries Canada Inc.). Highland Grow obtained a cultivation licence on December 1, 2017 and its authorization to sell cannabis on December 16, 2018. Highland Grow currently cultivates, produces and distributes cannabis at its Antigonish, Nova Scotia facility.

1.3 Overall Performance

The Company has maintained its focus on providing quality products produced in a cost-effective manner. Net losses for the period ended March 31, 2019 and 2018 reflect the steady increase in operational activities consistent with a company on a steep growth curve. From an expense perspective the increases in cultivation related costs, the hiring and contracting of more experts and experienced personnel, increases in business development activities and increased corporate activity have increased during the period. Net loss was offset by the fair value adjustment on growth of biological assets which were $426,301 and $nil for the period ended March 31, 2019 and 2018 respectively. During the period ended March 31, 2019, the Company focused its efforts and operational spending on the following:

- Hiring of senior growing, and management resources;

- Optimizing and increasing production to meet the anticipated increase in product demand;
- Continued expansion of production facilities;
- Product formulations;
- Financing the Company;
- Growing increased market awareness of the Company and its products and approach;
- International expansion and business opportunities; and
- Corporate activities associated with investor relations and public relations

Announcements and Highlights during the quarter:

- The Company commenced trading on the OTCQB® on January 2, 2019 under the new stock symbol BIOIF.
- On January 10, 2019, the Company announced its Nova Scotia based subsidiary Highland Grow secured its first purchase order with the Nova Scotia Liquor Corporation ("NSLC"). The first shipment of finished product grown and packaged specifically for consumers in Nova Scotia was received by the NSLC later on January 10, 2019.
- On January 16, 2019, the Company and Highland Grow Inc. secured a second purchase order with the NSLC.
- On February 8, 2019, the Company announced it had released its first shipments of finished product to Newfoundland and Labrador. Products were subsequently delivered to retail locations across Newfoundland and Labrador and accessible to consumers in early April after the Province's new order management system came on-line to handle new cannabis suppliers. A second shipment of finished product was also sent later that month with an emphasis on independent retail locations.
- On February 12, 2019, the Company announced a Memorandum of Understanding ("MOU" or the "Agreement") providing the Company with preferential access to a high quality, low-cost supply of Cannabidiol ("CBD") concentrate from CBD Acres Manufacturer Inc. ("CBD Acres").
- On March 8, 2019, the Company announced that Highland Grow will be dramatically increasing its operations in response to an encouraging demand for its products in its home province. This is further validation of Biome's localized approach to building a locally owned and operated brand that offers high quality products specifically created for the local consumer.
- On March 15, 2019, the Company announced that Mr. George Smitherman joined Biome's executive management as Senior Vice President of Corporate Affairs. In this role, George will be leveraging his experience and knowledge in the Canadian health care sector to accelerate Biome's growth in new operating verticals. His portfolio of responsibilities includes clinical infrastructure in Canada and international markets, domestic retail operations, and international regulatory development work in jurisdictions that are looking to launch medical cannabis programs.

- Management continued to actively focus on capital raising to support the Company's business, marketing initiatives and general working capital.

1.4 Results of Operations

Figure 1.4A Summary of Key Performance Indicators

		Q1-2019
Revenue	$	**340,574**
Cost of Sales	$	**136,151**
Grow Profit	$	**204,423**
Margin (%)		**60%**
EBITDA (1)	$	**(1,004,386)**
EBITDA Margin (%) (2)		**nmf**
Working Capital	$	**2,101,291**
Inventory	$	**739,587**
Biological Assets	$	**392,414**
Cash cost to produce, per gram (3)	$	**2.72**
Average selling price, per gram, (4)	$	**6.80**
Average margin, per gram (5)		**60%**

1. The Company's "EBITDA" is a Non-GAAP metric used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines "EBITDA" as the Income (loss) Before Other Items as reported, plus Amortization. Management believes "EBITDA" is a useful financial metric to assess its operating performance on an adjusted basis as described above. EBITDA: Net loss before other items + amortization. -1,068,130 + 63,744 = 1,004,386
2. The Company's "EBITDA margin" is a Non-GAAP metric used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. It is calculated by dividing "EBITDA" by Revenue, expressed as a percentage. Management believes "EBITDA margin" is a useful financial metric to assess its operating performance on an adjusted basis as described above. EBITDA margin = EBITDA/Revenue. Not meaningful as it is a negative percentage this quarter due to the EBITDA loss.
3. The Company's "Cash cost to produce, per gram" is a Non-GAAP metric used my management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. It is calculated by dividing Cost of Sales in dollars by the number of grams sold in the period. Management believes "Cash cost to produce, per gram", is a useful financial metric to assess its operating performance on an adjusted basis as described above. Cash cost to produce, per gram = Cash cost to produce/grams produced. $136,151/50,076 = $2.72
4. The Company's "Average selling price per gram" is a non-GAAP metric used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. It is calculated by dividing Revenue in dollars by the number grams sold during the period. Management believes "Average selling price per gram" is a useful financial metric to assess its operating performance on an adjusted basis as described above. Average selling price, per gram = Revenue/grams sold. $340,574/50,076 = $6.80
5. The Company's "Average margin per gram" is a Non-GAAP metric used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. It is calculated by subtracting "Cash cost to produce, per gram" from "Average selling price per gram" and dividing the difference by "Average selling price per gram" expressed as a percentage. Management believes "Average margin per gram" is a useful financial metric to assess its operating performance on an adjusted basis as described above. Average margin, per gram = (Average selling price, per gram - Cash cost to produce, per gram)/Average selling price, per gram. ($6.80 - $2.72)/$6.80 = 60.0%

Figure 1.4b: Summary of Quarterly Results

	Three months ended March 31,	
	2019	**2018**
	$	**$**
Net loss	(641,829)	(351,013)
Basic and diluted loss per share	(0.01)	(0.00)
Cash	738,392	1,859,505
Total assets	15,312,676	15,662,909
Current and total liabilities	910,444	650,099

<u>Period ended March 31, 2019 and 2018</u>

During the period ended March 31, 2019, the Company incurred net loss of $641,829 (March 31, 2018- $351,013). As at March 31, 2019, the Company had a positive working capital of $2,101,291 (December 31, 2018 - $3,202,443) and an accumulated deficit of $10,332,358 (December 31, 2018 - $9,689,529).

Significant changes in the period ended are as follows:

- The Company generated revenues of $340,574 during the period ending March 31, 2019 compared to $nil in prior year. The cost of goods sold for the period was $136,151 with gross profit of $204,423. This revenue was driven by the sale of 50,076 grams of cannabis at an average price of $6.80 per gram. Cost per gram was an average of $2.72 during the same period.

- The Company incurred professional fees of $61,314 compared to $250,480 during the prior year due to decreased third party professional services and operational activities of the Company.
- The Company incurred salaries and wages of $537,968 due to operational activities during the period as compared to $86,142 for the period ended March 31, 2019. This is due to an increase in the number of employees on salaries and wages and greater operational activities.
- Consulting fees increased to $62,916 compared to prior year of $nil mainly due to more third-party expertise needed for the operations of the Company during the period.
- The Company incurred office and miscellaneous expenses of $96,619 compared to the prior year's $33,399 due to the commencement of operational activities. The increase in office and administration costs can be generally attributed to an increase in costs incurred at new and/or expanded facilities including incremental employment levels to support the growth in the business with operations.
- Insurance costs for the period were $62,343.
- Utilities expenses for the period were $47,619 compared to $8,766 in the previous year due to more power usage related to the commencement of growing operations.
- Advertising and promotion increased to $233,444 compared to the prior year of $nil mainly due to more marketing and promotional efforts during the period. Some fees include one-time fees related to advertising and marketing.
- During the period ended March 31, 2019, the Company incurred travel expense in the amount of $8,654 primarily attributable to site visit expenses compared to $442 during the prior year as less travel was required at that stage of the Company's development.

- The Company incurred transfer fees in the amount of $15,665 mainly due to exercise of warrants in the period.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 March 31, 2019 $	Q4 Dec. 31, 2018 $	Q3 Sept 30, 2018 $	Q2 June 30, 2018 $	Q1 March 30, 2018 $	Q4 Dec. 31, 2017 $	Q3 Sept 30, 2017 $	Q2 June 30, 2017 $
Total revenues	340,574	-	-	5,310	-	-	-	-
Loss before other items:	(1,069,130)	(3,158,182)	(1,669,215)	(687,133)	(382,841)	(615,485)	(63,688)	(72,786)
Net Loss and Comprehensive Loss:	(641,829)	(6,128,876)	(1,669,215)	(681,823)	(351,013)	(600,139)	(63,688)	(72,786)
Basic and diluted loss per share	(0.01)	(0.09)	(0.09)	(0.03)	(0.00)	(0.01)	(0.10)	(0.01)

Significant factors and trends that have impacted the Company's results during the years presented above include the following:

- The listing expense of $3,920,923 incurred in the fourth quarter of 2018 due to the reverse acquisition transaction was a one-time expense;

1.6 Liquidity and Capital Resources

As at March 31, 2019, the Company has total assets of $15,312,676 and a positive working capital of $2,101,291.

At March 31, 2019, the Company had cash of $738,392 (December 31, 2018- $1,859,505). As of March 31, 2019, the Company had prepaid expenses of $183,116, inventory of $739,587 and biological assets of $392,414.

Cash utilized in operating activities during the period ended March 31, 2019 was $1,098,047 (March 31, 2018 – $563,383).

During the period ended March 31, 2019, the Company's CAPEX expenditures were $554,317, primarily for additional property and equipment necessary for continuing operations. This compares to $932,564 in the period ended March 31, 2018.

At March 31, 2019, share capital was $22,748,534 comprising 110,281,815 issued and outstanding common shares and 1 special class C share. There was an increase in the share capital for the period ended March 31, 2019 due to the exercise of warrants.

During the period, the Company received cash in the amount of $11,251 from the exercise of warrants.

As at March 31, 2019, the principal amount of $500,000 in the form of an interest-free loan is unsecured and due on demand.

At present, the Company's operations generate small levels of cash inflows and its financial success after March 31, 2019 is dependent on management's ability to continue to obtain sufficient revenue to sustain operations through its development stage.

The Company may not be able to generate sufficient cash flows from its operations in the foreseeable future to support its working capital needs. As a result, the Company will have to rely on funding through future equity and debt issuances to finance ongoing operations and construction. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to raise capital on acceptable terms or at all.

1.7 Share Capital

The following table summarizes the Company's outstanding share capital:

	As at March 31, 2019	**As at the date of this MD&A**
Common Shares - Basic	110,281,815	110,281,815
Common Shares - Fully Diluted	112,546,031	112,546,031
Special Class C Shares	1	1
Options to purchase Common Shares (1)	400,000	400,000
Common Share Purchase Warrants	1,576,716	1,289,216
Common Shares held in escrow	47,460,004	45,069,375

Note:

(1) The numerical figures provided do not include the options to acquire Common Shares with an aggregate value of $200,000 pursuant to the Francis MacMaster Employment Agreement (as further described in the Company's Form 2A Listing Statement dated October 3, 2018).

1.8 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.

1.9 Transactions with Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. During the period ended March 31, 2019 and 2018, key management compensation consisted of the following:

	March 31, 2019	March 31, 2018
	$	$
Professional and consulting fees	26,592	-
Salaries and wages	28,833	86,141
	55,425	86,141

As at March 31, 2019, the Company had $nil (2018 - $123,759) payable to related parties. The amounts are due on demand, non-interest bearing, unsecured, and have no fixed terms of repayment.

1.10 Changes in Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the interim financial statements of the Company as at March 31, 2019. The interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018.

During the period ended March 31, 2019, the Company has changed its accounting policy with respect to related to biological assets. Prior to this change, the Company expensed any costs related to production of biological assets in the period incurred. The Company now capitalizes production costs related to biological assets and expenses these costs to realized fair value on inventory sold as the inventory is sold. The Company also revised its presentation in the consolidated statement of loss to separate fair value adjustments for both biological assets and inventory sold in the period. The change in the Company's accounting policy had no significant impact on previous periods net loss.

During the period ended March 31, 2019, the Company adopted the following new or amended accounting standard. The adoption of the following amended accounting standard did not have a significant impact on the Company's consolidated financial statements.

IFRS 16 Leases
IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

1.11 Financial Instruments and Other Instruments

As at March 31, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and short-term loans.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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.

Fair value

The carrying value of cash and accounts receivable approximated their fair value because of the relatively short-term nature of these instruments.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. 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.

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

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

The fair value of accounts receivables, accounts payable and short-term loans approximates fair value due to the short-term nature of the financial instruments. Cash is measured using level 1 inputs of the fair value hierarchy.

1.12 Risk Factors

The Company is focused on more select market introduction and development. The failure to generate future sales in the Company's main products could have a significant and adverse effect on the Company.

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not anticipate having key person insurance in effect for management. In addition, there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Company has incurred a net loss for the period ended March 31, 2019 of $642,829 and has a deficit of $10,332,358. Management is continuing efforts to attract additional equity and capital and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to curtail or reduce its operations to continue as a going concern.

In addition, the Company's limited working capital could affect the Company's ability to seize upon opportunities requiring investment, or to reinvest in its products in a timely manner.

For additional risk information, please refer to the Company's Annual Information Form filed on SEDAR at www.sedar.com

1.13 Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.