October 6, 2021

Humble & Fume Inc.
(formerly Canada Iron Inc.)

Management's Discussion & Analysis of Financial Condition and Results of Operations

Year Ended June 30, 2021

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For the year ended June 30, 2021

Management's Discussion and Analysis

This management discussion and analysis of the financial condition and results of operations ("MD&A") of Humble & Fume Inc. (the "Company" or "H&F" or "Humble"), is for the fiscal years ended June 30, 2021 and 2020. This MD&A should be read in conjunction with the annual consolidated financial statements and the notes thereto for the fiscal years ended June 30, 2021 and 2020, as well as the Company's interim consolidated financial statements and the accompanying notes for the nine month period ended March 2021. The fiscal year end consolidated financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors on October 6, 2021.

This MD&A provides information that the management of the Company believes is important to assess and understand the results of operations and financial conditions of the Company. All amounts are presented in Canadian dollars, unless otherwise noted. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information contained herein is made as of the date of this MD&A and is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the "Forward Looking Statements" section in this MD&A.

Additional information filed by the Company with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com.

Forward-Looking Statements

This MD&A may contain statements that are "forward-looking statements". These include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "anticipate", "believes", "estimate", "intend", "plan", "would", and "outlook" or statements to the effect that actions, events or results "will", "may", "should" or "would" be taken, occur or be achieved. Forward-looking statements are not historical facts, and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking statements for various reasons discussed throughout this analysis. Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made, and the Company does not undertake any obligation to update forward-looking statements if the circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

The global pandemic related to an outbreak of the novel coronavirus disease ("COVID-19") has cast uncertainty on many of the Company's assumptions and estimates. There can be no assurance that such assumptions and estimates continue to be valid. Given the rapid pace of change in the severity of and response to the COVID-19 outbreak, it is premature for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business is not known at this time. These impacts could include, amongst others, an impact on our ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue or profitability of our ongoing operations. See "Risk Factors".

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by the Company's competitors. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of Humble's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of the operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures, industry metrics, in the evaluation of companies in the Cannabis industry. Management also uses non-IFRS measures and industry metrics to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation. The non-IFRS measures and industry metrics referred to in this MD&A include "Adjusted EBITDA" and "Free Cash Flow".

Humble & Fume Inc. Business Overview

Humble & Fume Inc. is the leading North American distributor of cannabis and cannabis accessories, supported by a customer-centric sales team, world-class infrastructure, and manufacturing facilities. As the only fully-integrated cannabis distribution solution, Humble bridges the gap for retailers, Canadian licensed producers, American multi-state operators, and cannabis customers increasing sales penetration to maximize financial performance. With over 20 years of North American operating experience, Humble has cultivated extensive vendor and customer relationships distributing premium cannabis consumables and consumption devices. The Company is comprised of four subsidiaries that represent its vertical integration across North America with over 200 supporting staff. Humble operates its business through its wholly-owned subsidiaries, B.O.B. Headquarters Inc. ("BobHQ"), Windship Trading LLC ("Windship"), Humble+ Cannabis Solutions ("HCS") and Fume Labs Inc. ("Fume Labs").

Humble's Wholly Owned Operating Subsidiaries & Brands

B.O.B. Headquarters Inc., including the brand Humble+Fume

BobHQ, with the brand Humble+Fume, operates as a distributor of cannabis consumption devices for headshops, smoke shops, and licensed cannabis stores across Canada. With one of the largest portfolio offerings of smoking accessories in Canada, including grinders, papers, pipes, vaporizers, and cleaning products, BobHQ/Humble+Fume is the distribution partner of choice by retailers. BobHQ distribution operations are strategically located in Brandon, Manitoba allowing for efficient distribution to customers coast-to-coast. A key strength to our Canadian distribution operations is our high-quality brand portfolio, represent premium cannabis accessory brands such as RYOT, Storz & Bickel, OCB, GRAV, Pulsar, and BIC. Over the last 20 years, BobHQ has built an extensive network of suppliers and customers, making them the leading choice for cannabis accessories in Canada.

Windship Trading LLC

Windship has grown to become one of the leading distributors of cannabis consumption devices for headshops and smoke shops in the United States ("U.S."). Since 2010, Windship has serviced thousands of smoke shop retailers, sub-distributors, e-commerce companies, CBD retailers and currently offers over 8,000 products in their portfolio, including grinders, papers, pipes, vaporizers, and cleaning products. Windship has active operations in San Marcos, Texas, St. Petersburg, Florida, Denver, Colorado, Las Vegas, Nevada and Los Angeles, California, with international distribution capabilities as well. Windship's strategically located sales and distribution facilities allow for a full North American distribution capability, allowing the business to service any customer in the U.S. within 48 hours. Windship has strong brand partnerships with several leading cannabis accessory and CBD brands in the U.S. Our U.S. brand portfolio contains Storz & Bickel, CCELL, OCB, Davinci, PUFFCO, and Martha Stewart CBD. In addition to our premium brand portfolio, Windship maintains its own in-house brands to supplement both our SKU portfolio and margin objectives. These brands include Anomaly (formally called Elevate) and Piranha. Additional Windship capabilities include B2C e-commerce as well as white labelling for accessory products. As Windship continues to grow and expand its distribution capabilities to customers across the U.S., e-commerce and white labelling opportunities will be a key focus of future growth for the business.

Humble+ Cannabis Solutions

HCS is a cannabis sales agency with national field coverage for both cannabis and cannabis accessories. The first of its kind in Canada, HCS distributes both cannabis and cannabis accessories across all 10 provinces to over 1,000 retail locations. HCS is a category leading supplier with both private key accounts and government customers, with a deep understanding of how to operate within the regulated market. HCS provides a one-stop solution for retailers, a natural business partner who can deliver brand education, trade marketing materials and customer support. HCS is the exclusive representative of cannabis brands including, Fume, 48North, TREC Brands Inc., The Supreme Cannabis Company, Inc. and Olli Brands Inc.

Fume Labs Inc.

Fume Labs is a cannabis concentrate manufacturing and extraction facility operating from 48North Cannabis Corp. ("48North") fully-licensed processing and propagation plant in Brantford, Ontario. Fume Labs specializes in extraction, formulation, and distribution of cannabis concentrates. Fume Labs offers contract manufacturing and white label opportunities to cannabis brands across Canada, including Trail Mix, Black Label by 48North, Avitas and its in-house brand Fume. Combining Fume Labs best-in-class R&D and formulation expertise, white label partners are able to create bespoke high-quality products to differentiate their brands in the market. As Fume Labs continues to push the boundaries of formulation and innovation, management expects our concentrate expertise to be a catalyst for Fume Labs growth in both the Canadian and U.S. markets.

Overview

Over the course of fiscal year 2021, the organization has executed its strategy of launching complimentary cannabis business verticals in Canada while growing the core cannabis accessories distribution business in both Canada and the U.S.. The company has begun to successfully realize contributions from the investments made in Fume Labs and HCS, as well as investments in inventory that have driven the organization to record revenue levels.

2021 Full-Year and Fourth Quarter Comparative Highlights

- Consolidated net revenue of $74.1 million for the year, a 71% increase over prior year.
- Gross margin generation of $13.6 million for the year, a 143% increase over prior year.
- Consolidated net revenue of $19.4 million for the quarter, a 34% increase from Q4 2020.
- Strong liquidity position, including a cash balance of $9.65 million as of June 30, 2021.
- Completed go public transaction and commenced trading on the Canadian Securities Exchange on June 16, 2021 under the ticker HMBL.

Humble generated net revenue of $74.1 million for the year ended June 30, 2021, while decreasing overall operating losses by 14%. Margins increased from 13% in fiscal year 2020 to 18% in fiscal year 2021, which resulted in total gross margin of $13.6 million or a 143% increase year-over-year. Net losses declined by 17% year-over-year driven by higher gross margins and sales in 2021 from our core distribution business, as well as one time changes related to our RTO transaction and the fair-value adjustment of the derivative liability for the convertible debenture.

For the fourth quarter of 2021, Humble generated $19.4 million in net revenue compared to 14.5 million in the prior year end, representing growth of 34%. Gross margins for the quarter increased to $3.6 million from $1.7 million compared to the same period in the prior year representing a growth of 112%. Net losses in the quarter of .2 million were driven primarily by growth in overall headcount levels to support increasing U.S. and Canada sales, higher sales and marketing expense to support brand partnerships and the launch of FUME, and higher freight costs included in the Company's cost of goods sold selling expenses, and higher share-based compensation expense compared to the year-ago period.

During fiscal year 2021, the organization has executed its strategy of launching complimentary cannabis business verticals in Canada while growing the core cannabis accessories distribution business in both Canada and the United States. The company has begun to successfully realize contributions from the investments made in Fume Labs and Humble Cannabis Solutions. Continued growth in both Canada and the U.S. positions Humble well to enter fiscal year 2022. Entering fiscal year 2022, Management is focused on the continued trend of declining net losses through disciplined working capital allocation and a pathway to sustained profitability.

Humble's Windship Trading business continued to grow with an increase in revenue of 62% over the previous year. The significant increase in year-over-year revenue is attributable mainly to the increase of new headshop and smoke shop customers across the U.S., new sub-distribution partnerships and the addition of high-quality brands to our portfolio such as PUFFCO. Opening sales orders for new accounts increased by 14% year-over-year, driving top line sales and establishing a broader customer base.

The investments that the organization has made in our Canadian subsidiaries and brands, BobHQ, Humble+Fume, HCS and Fume Labs, have contributed to significant year-year-over growth of 88% in Canada. Increased sales from key governmental accounts and the onboarding of over 900 new customer accounts, complimented by new products and partners from Fume Labs and HCS, also increased overall revenue growth.

Across the Canadian and U.S. distribution business, there has been a focused effort to rationalize the SKU portfolio, reduce slower life cycle products from our inventory and focus on high margin products in high margin categories. During fiscal year 2021, working capital and procurement was focused on both the high margin and top selling categories of vaporizers, pipes, and grinders. The proportion of sales derived from vaporizers has steadily increased from fiscal year 2019 to 2021 due to the high-margin nature of these products and their increased demand in both the Canadian and U.S. markets. As of fiscal year end June 30, 2021, vaporizers accounted for 52% of total sales, with a product mix of both dry herb vaporizers, 510 batteries, and specialty electronic dab rigs. The company anticipates that as new products are innovated and customer preferences mature, vaporizers will continue to be a large offering within Humble's accessory portfolio.

Key Developments During the Quarter

June 14, 2021
Humble acquires Canada Iron Inc. a listed entity on the Canadian Securities Exchange by way of a reverse take over with the shareholders of Humble gaining control of the amalgamated entity.

June 16, 2021
Humble completes the go public transaction and commenced trading on the Canadian Securities Exchange under the symbol "HMBL".

June 16, 2021
Humble strengthens Board of Directors with the appointment of Jakob Ripshtein, former President of Aphria Inc. (TSX: APHA), a leading global cannabis-lifestyle consumer packaged goods company that merged with Tilray Inc.

June 28, 2021
Humble entered into a strategic supply agreement with Fire & Flower Holding Corp. (TSX: FAF) to offer an expanded catalogue of Humble's portfolio of products to Fire & Flower customers online and in-store throughout North America.

Key Developments Subsequent to the Quarter

July 5, 2021
Humble welcomes new leadership with Joel Toguri joining as Chief Executive Officer. Mr. Toguri, former Chief Revenue Officer at The Supreme Cannabis Company Inc. (TSX: FIRE), which was purchased by Canopy Growth Corporation (TSX: WEED) in 2021, joined Humble with significant leadership experience and a proven track record of delivering superior execution and sales growth in the cannabis industry.

July 8, 2021
HCS into exclusive sales distribution partnership with TREC Brands Inc. in Canada. TREC Brands is a global premium cannabis brand house, which includes Thumbs Up Brand, Blissed and WINK cannabis brands offering premium dried flower, edibles, and cannabis oils.

July 15, 2021
Humble launches FUME, a cannabis extracts brand delivering a pure and flavorful cannabis experience. FUME has pioneered a proprietary extraction process that removes terpenes from the plant without the use of solvents, guaranteeing a pure, true-to-strain product. Offering both vape products and concentrates, FUME carefully curates' stains and puts innovation at the forefront of its focus.

Results of Operations

Key Components of Results of Operations

The Company has always been operated and managed as a single economic entity, notwithstanding the fact that it has operations in different countries. There is one management team that directs the activities of all aspects of the company. As a result, Humble believes that it has one reporting segment, being the consolidated company. Over time, this may change as the Company grows and when this occurs the change will be reflected in reporting practice.

The Company currently generates revenue through the distribution of cannabis and cannabis accessories in Canada and the United States, manufacture and sale of cannabis concentrates and vaporizers, and brand service fees. Revenue is generated through the sale of:

- B2B wholesale of cannabis accessories
- Finished cannabis concentrates and distillates, solventless cannabis products, and vaporizer products such as: cannabis vaporizer cartridges, bulk distillate, partner cannabis vaporizer cartridges, and other regulated products; and
- Service fees for brand partners through Humble Cannabis Solutions.

Cost of revenue includes the cost of inventory sold, production costs expensed and impairment charges. Direct and indirect production costs include labor, processing, testing, packaging, quality assurance, security, inventory, shipping, depreciation of production equipment, production management and other related expenses.

Primary operating expenses are as follows:

- General and Administrative. General and administrative expenses are comprised primarily of rent, travel and general office and administrative expenses, consulting and professional fees and credit impairment losses.

- Sales and Marketing. Sales and marketing expenses are comprised primarily of costs relating to advertising and marketing events and travel expenses related to the sales and marketing teams.

- Salaries and wages. Salaries and wages comprise of employee salaries and benefits expenses for administrative, sales, finance, legal and human resources teams.

- Operations and customer support. Operations and customer support comprise of shipping costs and repairs relating to any customer support.

- Amortization and depreciation. Amortization and depreciation expense primarily relates to depreciation on property and equipment and right-of-use asset. Property and equipment are comprised of furniture and office equipment, leasehold improvements and land and building. Right-of-use asset relates to office and warehouse leases that are required to be recognized under IFRS 16.

- Share based compensation. Share-based compensation expenses are comprised of the value of stock options granted to employees expensed over the vesting period of the options.

Summary of Factors Affecting Performance

The Company believes that the growth and future success of Humble's business depends on many factors, including those described below. While each of these factors presents significant opportunities for the business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section.

The following table outlines the Company's consolidated statements of loss and comprehensive loss for year ended 2021 and 2020 and for the three months ended June 30, 2021, and 2020:

	Year ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Revenue	71,927,887	43,349,398	18,471,591	14,451,195
Service Revenue	2,185,685		932,511	-
Total Revenue	74,113,572	43,349,398	19,404,102	14,451,195
Cost of revenue	60,452,815	37,723,507	15,805,930	12,754,241
Gross Margin	13,660,757	5,625,891	3,598,172	1,696,954
Operating expenses				
General and administration	5,610,774	3,989,837	1,770,823	1,525,481
Sales and marketing	1,239,206	1,297,727	407,179	167,601
Salaries and wage	11,443,865	7,814,951	3,154,189	1,990,736
Operations and customer support	920,207	616,685	234,686	153,075
Depreciation and amortization	1,208,316	912,804	283,181	343,174
Share-based payments	1,243,261	295,483	249,342	46,164
Operating loss	(8,004,872)	(9,301,596)	(2,501,228)	(2,529,277)
Finance expenses, net	4,472,464	4,281,426	772,779	1,117,083
Fair value adjustment	(1,801,078)	3,162,000	(4,518,078)	1,493,000
Other expenses (income)	(84,846)	93,072	(8,885)	47,721
Listing Expense	1,176,284		1,176,284	-
Foreign exchange loss (gain)	1,269,009	(400,669)	203,862	(348,353)
Loss before provision for income taxes	(13,036,705)	(16,437,425)	(127,190)	(4,838,728)
			-	-
Current income tax expense	(38,286)	(744,539)	(38,286)	(744,539)
Net loss	(12,998,419)	(15,692,886)	(88,904)	(4,094,189)
Other comprehensive loss				
Item that may be reclassified subsequently to income				
Exchange (gain) loss on translation of foreign operations	465,328	25,600	77,156	(541,601)
Comprehensive loss	(12,533,091)	(15,667,286)	(11,748)	(4,635,790)
Loss per share - basic and diluted	(0.20)	(0.26)	(0.00)	(0.08)
Weighted average number of common share outstanding - basic and diluted	62,048,465	59,735,587	69,067,017	59,735,587

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters commencing September 2019 and ending June 30, 2021. The information for each of these quarters has been prepared on the same basis as the audited consolidated financial statements for the years ended June 30, 2019, June 30, 2020, and June 30, 2021 and as such should be read in conjunction of these statements.

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	$	$	$	$	$	$	$	$
Revenue	19,404,102	18,482,752	16,630,591	19,596,127	14,451,195	10,060,917	9,423,599	9,413,687
Net loss	(88,904)	(5,837,386)	(3,878,232)	(2,805,725)	(4,662,388)	(4,011,031)	(3,732,128)	(4,479,387)
Loss per share- basic and diluted	(0.00)	(0.10)	(0.07)	(0.05)	(0.08)	(0.07)	(0.06)	(0.08)

Quarterly Revenue Summary

The Company's total quarterly revenue increased sequentially for period commencing September 30, 2019 to June 30, 2021 primarily due to stronger sales in the U.S. and Canadian accessories wholesale market. Revenue over the past 8 quarters has grown from $9,413,687 to $19,404,102 or 106% with some cyclical fluctuations. The Company cannot assure investors that this pattern of sequential growth in revenue will continue. See "Risk Factors".

Quarterly Expenses Summary

Total cost of revenue generally increased sequentially for each period presented. Cost of revenue increased to support the increase in revenue. The operating expenses fluctuated from quarter to quarter primarily due to the fluctuations in the adjustments in the fair value of the derivative liability for the convertible debenture and due to fluctuations in the foreign exchange gain/loss for each period. The operating expenses are higher for the year ended June 30, 2021 compared to year ended June 30, 2020 as a result of supporting growth in revenue, expansion of major product lines, and increase in headcount required to support increase in sales. The improvement in operating expenses for quarter ended June 30, 2021 is due to the settlement of the convertible debenture resulting in an income adjustment along with improved margin on higher sales. The overall trend for total operating expenses has been relatively consistent with the growth in operations other than the fluctuations noted above.

Annual Results of Operations

The following table sets forth selected audited quarterly statements of operations data for each of the previous 3 fiscal years commencing June 30, 2019 and ending June 30, 2021.

	Fiscal year				
	2021	2020	2019	Change	
	$	$	$	$	%
Revenue	74,113,572	43,349,398	33,880,344	30,764,174	71%
Net loss	(12,998,419)	(15,692,886)	(5,072,437)	2,694,467	-17%
Loss per share -basic and diluted	(0.20)	(0.26)	(0.15)	0.06	-23%
Total assets	36,654,432	33,774,647	40,807,987	2,879,785	9%
Total liabilities	7,346,312	32,196,430	23,857,967	(24,850,118)	-77%

Annual Revenue Summary

Consolidated revenue increased from $43,349,398 to $74,113,573 or 71% for the year ended June 30, 2021 in 2020. Revenues from U.S. operations totaled $45,712,253 reflecting a growth of $17,483,493 or 62% and revenue from Canadian operations grew to a total of $28,401,319 reflecting an increase of $13,280,681 or 88%. The increase in year-over-year revenue in the U.S. is attributable mainly to the acquisition of new headshop and smoke shop customers across the U.S., new sub-distribution partnerships, and the addition of high-quality brands to our portfolio such as PUFFCO. The increase in year-over-year revenue in Canada is attributable to increased sales from key governmental accounts, the onboarding of over 900 new customer accounts, and new products and partners from Fume Labs and HCS.

Year ended June 30			
2021	2020	Change	
$	$	$	%
74,113,572	43,349,398	30,764,174	71%

Annual Cost of Revenue

Cost of revenue increased from $37,723,507 to $60,452,815 or 60% for the year ended June 30, 2021 compared to the equivalent period in the prior year. The increase in cost of revenue is largely consistent with the increase in revenue for the period driven from the sales of the Company's distribution businesses, Fume Labs and Humble Cannabis solutions.

Year ended June 30			
2021	2020	Change	
$	$	$	%
60,452,815	37,723,507	22,729,308	60%

Annual Gross Profit

Gross profit increased from $5,625,891 to $13,660,756 or 143% for the year ended June 30, 2021 compared to the equivalent period in the prior year. Overall consolidated gross margins increased from 13% in fiscal year 2020 to 18% in fiscal year 2021. The increase in gross profit is driven by a higher volume of sales of the Company's accessories product offering and a focus on increasing accessory product margins, contributions from Fume Labs and HCS, as well as increased disciplined regarding sales discount programs.

Year ended June 30			
2021	2020	Change	
$	$	$	%
13,660,757	5,625,891	8,034,866	143%

Annual Operating Expenses Summary

Annual operating expenses increased from $14,927,487 as of June 30, 2020 to $21,665,629 in June 30, 2021. The increase in overall operating expenses are mainly attributable to increases in payroll to support revenue growth, increases to general and administrative expense, and share based compensation. As a percentage of revenues, total operating expenses decreased from 34% as of June 30, 2020 to 29% in June 30, 2021.

	Year ended June 30			
	2021	2020	Change	
	$	$	$	%
General and administration	5,610,774	3,989,837	1,620,937	41%
Sales and marketing	1,239,206	1,297,727	(58,521)	-5%
Salaries and wage	11,443,865	7,814,951	3,628,914	46%
Operations and customer support	920,207	616,685	303,522	49%
Depreciation and amortization	1,208,316	912,804	295,512	32%
Share-based payments	1,243,261	295,483	947,778	321%
Total operating expenses	21,665,629	14,927,487	6,738,142	45%

Annual General and Administrative Expenses

General and administrative expenses increased by $1,620,937 or 41% for the year ended June 30, 2021 compared to the equivalent period in the prior year. General and administrative costs increased from $3,989,837 in fiscal year 2020 to $5,610,774 in fiscal year 2021. The increase in G&A costs is due to increased professional and broker fees related to Humble's public listing on the CSE. Humble also anticipates increases to general and administrative expense, as the Company incurs the ongoing costs of compliance associated with being a public company, including accounting and legal expenses. However, as the Company grows, we expect that general and administrative expenses will decrease as a percentage of revenue.

Year ended June 30			
2021	2020	Change	
$	$	$	%
5,610,774	3,989,837	1,620,937	41%

Annual Sales and Marketing Expenses

Sales and marketing costs declined from $1,297,727 in fiscal year 2020 to $1,239,206 in fiscal year 2021. The decline in costs is primarily driven by a decline in both in-store marketing spend and T&E expense due to COVID-19. To implement the current growth strategy, the Company intends to continue to grow the sales and marketing teams. As the Company continues to grow, Humble expects sales and marketing expenses to increase, while these expenses may fluctuate from year to year, consistent with our profitability objectives and relative to overall growth.

Year ended June 30			
2021	2020	Change	
$	$	$	%
1,239,206	1,297,727	(58,521)	-5%

Annual Salaries and Wages

Salaries and wages represent the largest segment of operating expense for Humble and totalled $11,443,865 in fiscal year 2021 compared to $7,814,951 in fiscal year 2020. The increase in salaries and wages is attributable to increases in headcount in both the Canadian and U.S. salesforces as well as increases to people in the corporate team.

Year ended June 30			
2021	2020	Change	
$	$	$	%
11,443,865	7,814,951	3,628,914	46%

Annual Operations and Customer Support Expenses

Operations and customer support increased by $303,522 or 49% for the year ended June 30, 2021 compared to the equivalent period in the prior year. Operations and customer support increased form $616,685 in fiscal year 2020 to $920,207 in fiscal year 2021. The increase in costs is in line with revenue growth for the Canadian and U.S. distribution businesses and is expected to increase as net revenues grow.

Year ended June 30			
2021	2020	Change	
$	$	$	%
920,207	616,685	303,522	49%

Annual Depreciation and Amortization Expense

Depreciation and amortization increased by $295,512 or 32% for the year ended June 30, 2021 compared to the equivalent period in the prior year. The increase is primarily due to additional purchases of property, plant and equipment, increased IT equipment expenses as headcount expanded, and the increases in the right-of-use assets related to property leases during the year ended June 30, 2021.

Year ended June 30			
2021	2020	Change	
$	$	$	%
1,208,316	912,804	295,512	32%

Annual Share-based Payments

Share based compensation increased from $295,483 in fiscal year 2020 to $1,243,261 in fiscal year 2021. The increase in share based compensation is directly attributable to the organizations establishment of an employee share program (ESOP) and granting of options related to new corporate staff.

Year ended June 30			
2021	2020	Change	
$	$	$	%
1,243,261	295,483	947,778	321%

Annual Non-operating Items Summary

	Fiscal years 2021	2020	Change	
	$	$	$	%
Finance expenses, net	4,472,464	4,281,426	191,038	4%
Fair value adjustment	(1,801,078)	3,162,000	(4,963,078)	-157%
Other expenses (income)	(84,846)	93,072	(177,918)	-191%
Foreign exchange loss (gain)	1,269,009	(400,669)	1,669,678	-417%
Total non-operating expenses	3,855,549	7,135,829	(3,280,280)	-46%

Finance Expense

Finance expense increased from $4,281,426 to $4,472,464 or 4% for the year ended June 30, 2021 compared to the prior year in June 2020. The increase was primarily due to the accretion expense on the convertible debentures issued in May 2019 that was higher in the current year ended June 30, 2021.

Fair Value Adjustment

Fair value adjustment fluctuates based upon the valuation of the derivative liability for the convertible debenture conversion feature. The valuation of the derivative liability is based on a number of factors including share price, volatility, risk free and probabilities of certain events and therefore can fluctuate significantly.

Other Expenses (income)

Other expenses (income) decreased from an expense of $93,072 to other income of $84,846 for the year ended June 30, 2021 compared to the prior year ended June 2020. The change in other expenses (income) was primarily due to reductions in certain miscellaneous expenses for the period.

Foreign Exchange Loss (gain)

Foreign exchange loss (gain) fluctuates depending on the strength of the U.S. dollar relative to the Canadian dollar and its impact on cash balances held in U.S. dollars. There is a much higher foreign exchange loss for the year ended June 30, 2021 compared to prior year ended June 30, 2020.

Annual Net Losses

Annual net losses declined from $15,692,886 in June 30, 2020 to $12,998,419 as of June 30, 2021. The improvement in net losses year-over-year for the year ended June 30, 2021 is due to the settlement of the convertible debenture resulting in an income adjustment along with improved margin on higher sales in both the Canadian and U.S. distribution businesses.

Selected Annual Information

Total Assets

Fiscal 2021 Compared to Fiscal 2020

The total assets increased from $33,774,647 to $36,654,432 for the year ended June 30, 2021 compared to the prior year ended June 30, 2020. The increase was primarily due to an increase in cash and cash equivalents from the completion of the RTO and related private placement during the year, partially offset by the decrease in property, plant and equipment and right to use assets from amortization in the year. Inventories slightly increased year-over-year from $15,660,806 to $16,750,812. The increase in inventories is attributable to increased sales demand in the U.S. In Canada, the organization is actively reducing its inventory position to optimize inventory levels and working capital.

Total Long-term Liabilities

Fiscal 2021 Compared to Fiscal 2020

The total liabilities decreased from $32,196,430 to $7,346,312 for the year ended June 30, 2021 compared to the prior year ended June 30, 2020. The decrease was largely a result of an exercise of convertible debenture holders of the principle and unpaid/accrued interest into common shares.

Reverse Acquisition/Listing Expense

On February 23, 2021, Canada Iron and Humble entered into a Letter Agreement which was subsequently amended on June 9, 2021. Pursuant to the Letter Agreement, Canada Iron indirectly acquired all of the issued and outstanding Humble common shares through a reverse take-over transaction. The transaction was considered a reverse takeover as the former shareholders of Humble control the consolidated entity after completion of the transaction. At the time of the amalgamation, Canada Iron's assets consisted primarily of cash and it did not have any processes capable of generating outputs; therefore, Canada Iron did not meet the definition of a business and the transaction is accounted for as a reverse takeover with the presentation of the financial statements resulting in the continuation of Humble operations. Therefore, Humble has been treated as the accounting acquirer and Canada Iron as the legal parent, has been treated as the accounting acquiree. Upon completion of the amalgamation 303,257,870 Canada Iron common shares were consolidated into 1,250,000 common shares of one post-consolidated share for every 243 pre-consolidation shares. The consideration relating to the deemed shares issued in the reverse acquisition was based on the fair value of common shares of $0.82 per share. In addition, exchanged on the reverse takeover were 19,563,771 Canada Iron warrants into 84,000 post consolidation warrants which were fair valued on the acquisition date at $0.36 per warrant. The fair value of the common share and warrants was based on a reiterative Black-Scholes calculation with the following assumption: unit price $1, volatility 90% and a risk-free rate of 0.43%. As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the amalgamation is expensed as a listing expense in accordance with IFRS 2 Share-Based Payments.

	June 14, 2021
Net assets of Canada Iron Inc. acquired:	**$**
Cash	48,056
Receivables	4,780
Net Assets acquired	**52,836**
Consideration paid in RTO of Canada Iron Inc:	**$**
Common shares	1,025,000
Warrants	30,240
Legal Expenses	173,880
Total Consideration Paid	**1,229,120**
Listing expense	**1,176,284**

Liquidity, Capital Resources and Financing

The Company's objectives when managing capital are:

- To ensure the Company continues to operate as a going concern to maximize the return on investment to shareholders;
- To ensure sufficient liquidity to meet the Company's financial obligations and to execute its operating and strategic plans; and
- To minimize the after-tax cost of capital while taking into consideration current and future industry, markets and economic risks and conditions.

The company defines capital as the aggregate of equity.

The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares.

Working Capital

Humble's primary source of cash flow is revenue from operations, and equity capital raises. The Company's approach to managing liquidity is to ensure, to the extent possible, that it always has sufficient liquidity to meet all liabilities as they become due. The Company continuously monitors cash flow and performs budget-to-actual analysis on a regular basis.

Working capital surplus as at June 30, 2021 was $26,709,573 equivalent to the net current assets of the Company. This was an improvement of $28,196,461 from a previous deficiency of $1,486,888 compared to year ended June 30, 2020. The improved working capital position of the Company is due to a completion of a brokered private placement at close of RTO resulting in gross proceeds of $10,221,000 along with the exercise by convertible debenture holders of the principal and accrued/unpaid interest into 35,037,008 common shares of the company.

Cash and Cash equivalents

	Year ended June 30	
	2021	2020
	$	$
	9,654,551	6,354,167
		-
Net cash provided by (used in):		-
Operating activities	(5,711,452)	(3,265,100)
Investing activities	86,853	(1,741,077)
Financing activities	8,451,961	(1,232,477)
Effect of foreign exchange on cash and cash equivalents	473,022	28,291
Net increase (decrease) in cash and cash equivalents	3,300,384	(6,210,363)

Cash Flows Used in/from Operating Activities

The cash flows used in operating activities for the year ended June 30, 2021 increased from $$3,265,100 to $5,711,452 when compared to the prior year ended June 30, 2020. The increase in the cash flows used in operating activities is primarily due to cash needed in supporting sales growth by way of inventory purchases, salaries & wages and other general administrative expenses.

Cash Flows Used in Investing Activities

The cash flows provided by investing activities for the year ended June 30, 2021 increased from $(1,741,077) to $86,853 compared to the equivalent period in the prior year. The cash flow from investing activities increased primarily due to a drop in cash used in property plant & equipment along with advances from related parties.

Cash Flows Used in/from Financing Activities

The cash flows provided by financing activities for the year ended June 30, 2021 increased from $(1,232,477) to $8,451,961 compared to the equivalent period in the prior year. The increase in cash flows from financing activities for the year ended June 30, 2021 was primarily due to the completion of a private placement with net cash flows of $9,386,043 which was offset by cash flows used in all other financing activities of $934,082.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. The table below outlines all contractual obligations as at June 30, 2021:

	Carrying amount	Contractual cash flow	2022	2023	2024	2025	2026	Thereafter
Lease liability	$2,095,858	$3,063,338	$ 924,801	$549,877	$366,320	$283,971	$280,203	$658,166
Trade and other payable	5,250,454	5,250,454	5,250,454	-	-	-	-	-
Total	$ 7,346,312	$8,313,792	$6,175,255	$549,877	$366,320	$283,151	$280,203	$658,166

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at June 30, 2021 other than operating leases disclosed above under “Contractual Obligations”. From time to time, Humble may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transaction

The Company has no related party transactions, other than those noted in the consolidated financial statements, which are summarized below.

Each of the following related parties are related because of common control across all entities. Each balance is a loan between each party with no interest and no specified terms of repayment.

	June 30, 2021	June 30, 2020
Due from RKCB Holdings	$ -	$ 129,525
Due from Shareholders	382,580	375,179
Due from related parties	$ 382,580	$ 504,704

Key management includes the Company’s directors and members of the executive management team. Total compensation of key management personnel and directors was $803,605 for the year ended June 30, 2021 (2020-$839,091), which included $789,877 of salaries (2020-$769,376), and $55,344 (2020-$69,715) in stock-based compensation expense.

The Company has entered into Lease Agreements with RKCB Holdings Inc. (“RKCB”) for the rental of premises at 915 Douglas St. and 18th Street. RKCB is controlled by members of the Company’s executive management.

A member of the Board of Directors was granted 500,000 stock options during the year. The options vest over 3 years and have a 10 year expiry and were issued at an exercise price of $1. The fair value is included in the stock-based compensation amount in the Consolidated Statements of Loss and Comprehensive Loss.

During the year, the Company purchased $1,064,000 ($570,000 – 2020) of inventory from a company that was owned and controlled by two shareholders.

The Company purchased credit card processing services through a company that purchases services from an intermediary that has a minor ownership stake from a related party. The Company purchased $1,269,000 ($783,000-2020) of these services, of which $101,000 ($62,000 – 2020) of these services are purchased from the entity that the related party has a minor stake.

Financial Instruments and Other Instruments

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade receivables. The Company's trade receivables are disclosed, net of allowance for doubtful accounts, which the Company accounts for at the specific account level. Credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which could impair the customers' ability to satisfy their obligations to the Company.

In order to reduce the exposure to this risk, the Company has credit procedures in place, whereby analyses are performed to control the granting of credit to any new or high-risk customers.

The Company's cash subjects the Company to credit risk. At June 30, 2021, the Company had cash of approximately $6.1 million held with a number of financial institutions in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. Approximately 95% of the cash is held with either a major Canadian trust company or a large international bank which the Company believes lessens the degree of credit risk.

Management does not believe there is any significant credit risk from any of the Company's customers which have not already been provided for; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company has one customer comprising 12% of trade receivables at June 30, 2021 and none over the 10% threshold for 2020.

At June 30, 2021 and 2020 the Company does not consider any of its financial assets to be impaired, with the exception of accounts receivable balances for which a provision has been recorded.

At June 30, 2021, $1,060,899 (2020-$593,494) of accounts receivable was past due based on contractual terms but not impaired.

The definition of items that are past due is determined by reference to payment terms agreed with individual customers. Management believes that amounts outstanding which have not already been provided for are fully collectible in the future. The aging of accounts receivables at the reporting date was:

	June 30, 2021	**June 30, 2020**
	Gross	Gross
Not past due	$ 1,664,797	$ 1,778,226
Past due 1-30 days	849,700	439,552
Past due 31-90 days	47,180	152,993
Past due 90+ days	315,314	949
	$ 2,876,991	$ 2,371,720

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

Foreign Currency Exchange Risk

The Company generates sales of product in Canadian and U.S. dollars and incurs its expenses in both U.S. and Canadian dollars and is therefore exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in U.S. dollars that expose the Company to foreign exchange risks. The Company has a self-sustaining operation in the U.S. with 62% (65%-2020) of its revenue being U.S. dollar denominated. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At June 30, 2021, the Company had U.S. dollar denominated cash of approximately US$ 586,316 (2020: $1,176,470) and U.S. dollar denominated net assets of approximately US$5,968,772 (2020-$5,485,528). The remaining amounts were denominated in Canadian dollars. Gains and losses arising upon translation of these amounts into Canadian dollars for inclusion in the consolidated financial statements are recorded in other income and expenses as foreign exchange.

A 5% strengthening of the U.S. dollar versus the Canadian dollar, at June 30, 2021, would have increased the foreign exchange gain for the year by approximately $298,000 (2020: $274,000) while a 5% weakening of the U.S. dollar would have had approximately the equal but opposite effect. This analysis assumes that all other variables remain constant.

Critical Accounting Policy Estimates

Refer to the audited consolidated financial statements for a full discussion of Humble's critical accounting policies and estimates.

Authorized Share Capital

Humble is currently authorized to issue an unlimited number of common shares. As of the date hereof, 57,108,445 common shares are issued and outstanding. Upon completion of the Transaction and the Offering, 103,530,958 shares will be issued and outstanding.

The Company's outstanding capital was as follows as at the date of this MD&A:

	Number of shares
Share Capital	103,937,304
Stock Options	3,661,100

Subsequent Events

The Company also approved and granted the following stock options - each with 1/3 of vesting on the grant anniversary date:

Date of Grant	**Number of Options**
July 5th	1,750,000
August 9th	15,000
August 30th	95,000
September 7th	45,000
Total	1,905,000

Risk Factors

The Company's overall performance and results of operations are subject to various risks and uncertainties that may materially and adversely affect our business, products, financial condition and operations and may cause actual performance, results and achievements to differ materially from those expressed or implied by forward-looking statements and forward-looking information, including, without limitation, the factors are discussed in our Filing Statement dated June 14, 2021 available under our profile on www.sedar.com, which risk factors should be reviewed in detail by all readers.

Definition of Non-IFRS Measures

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

Adjusted EBITDA

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis. The Company defines Adjusted EBITDA as net loss excluding taxes (if applicable), loss on change in fair value of derivative liabilities relating to convertible debentures, net finance expense, depreciation, loss on disposal of assets, share based compensation and transaction related expenses. Management believes that these adjustments are appropriate in making Adjusted EBITDA an approximation of cash- based earnings from operations before capital replacement, financing, and income tax charges. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company's definition of Adjusted EBITDA may be different than similarly titled measures used by other companies.

Reconciliation of IFRS loss (gain) to adjusted EBITDA

Humble & Fume uses Adjusted EBITDA to appraise performance removing the impacts and volatility of non-cash adjustments. Adjusted EBITDA is defined as the net and comprehensive income (loss) for the period, as reported, adjusted for depreciation and amortization, unrealized gains (losses), share-based compensation, financing accretion costs, taxes, and other non-cash and non-recurring items. The following table reconciles the Company's net loss and comprehensive loss, being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA;

	Year ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Net (loss) gain	(12,998,419)	(15,692,886)	(88,904)	(4,094,189)
Finance expense	4,472,464	4,281,426	772,779	1,117,083
Fair value adjustment	(1,801,078)	3,162,000	(4,518,078)	1,493,000
Depreciation and amortization	1,208,316	912,804	283,181	343,174
Share-based payments	1,243,261	295,483	249,342	46,164
Current income tax expense	(38,286)	(744,539)	(38,286)	(744,539)
Listing Expense	1,176,284		1,176,284	
Foreign exchange (gain) loss	1,269,009	(400,669)	203,862	(348,353)
Adjusted EBITDA	**(5,468,449)**	**(8,186,381)**	**(1,959,820)**	**(2,187,660)**

Adjusted EBITDA for the fourth quarter fiscal 2021 was $(2.0) million, compared to $(2.2) million for fourth quarter fiscal 2020. Changes in quarter-over-quarter adjusted EBITDA were driven primarily by one-time adjustments in the fair value of the derivative liability for the convertible debenture and fluctuations in the foreign exchange gain/loss for each period.

Adjusted EBITDA for the fiscal year 2021 was ($5.5) million, compared to ($8.2) million for fiscal year 2020. Adjusted EBITDA loss was driven by higher sales in Canada and the U.S., a decrease in operating losses due to increased margins, an increase in share based compensation, and the onetime adjustments in the fair value of the derivative-liability for the convertible debenture. Management is focused on the trend of improving adjusted EBITDA to further drive profitable growth.