October 26, 2023

Humble & Fume Inc.

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

Year Ended June 30, 2023

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 year ended June 30, 2023 and 2022. This MD&A should be read in conjunction with the interim condensed consolidated financial statements and the notes thereto for the year ended June 30, 2023 and 2022 (the "Financial Statements"). The 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 26, 2023.

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 Financial Statements have been prepared in accordance with accounting policies adopted in the Company's audited financial statements for the year ended June 30, 2023.

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.sedarplus.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 cannabis industry involves risks and uncertainties that are subject to change based on various factors. The forward-looking statements contained herein concerning the cannabis industry and the general expectations of the Company concerning the cannabis industry are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of the cannabis industry. Such data is inherently imprecise. The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, expectations and assumptions concerning: government regulations, including future legislative and regulatory developments involving cannabis and the timing thereof; the availability of equipment, skilled labor and services needed for cannabis operations; demand, developments and trends in the cannabis industry; and competition in the cannabis industry in the markets in which the Company operates or plans to operate. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward -looking statements, including, but not limited to, risks and uncertainties related to: the immaturity of the cannabis industry and limited comparable, competitive and established industry best practices; public opinion and perception of the cannabis industry; the U.S. federal regulatory landscape and enforcement related to cannabis, including political risks, civil asset forfeiture and regulation by additional regulatory authorities; the difficulties cannabis businesses face accessing and maintaining banking or financial services due to federal regulations; and disparate state-by-state regulatory landscapes and licensing regimes for medical and adult-use cannabis.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This MD&A refers 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 under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they are 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 a further understanding of Humble's results of operations from the 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 provide investors with supplemental measures of operating performance and liquidity and thus highlight trends in the business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures and industry metrics in evaluating 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 a leading North American distributor of cannabis and cannabis accessories. Humble is committed to our brand and retail partners to help grow their businesses by providing data-driven insights, proven go-to-market expertise and best-in-class distribution for cannabis and cannabis accessories. 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 comprises four subsidiaries representing its vertical integration across North America with over 140 supporting staff. Humble operates its business through its wholly owned subsidiaries, B.O.B. Headquarters Inc. ("BobHQ"), Humble+Fume, Windship Trading LLC ("Windship"), and Humble+ Cannabis Solutions ("HCS").

The illegality of Cannabis at the U.S. Federal Level

Notwithstanding the permissive regulatory environment of medical, and in some cases, recreational marijuana, at the state level, it remains illegal under U.S. federal law to cultivate, manufacture, distribute, sell or possess marijuana in the U.S and enforcement of relevant laws is a significant risk. Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. As a result of current federal law prohibitions, the U.S. cannabis industry is conducted on a state-by-state basis.

To the best of Humble's knowledge, it is in compliance with U.S. state law and the applicable licensing framework for the products or operations of Humble in California. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

California Regulatory Environment

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 (the "CUA"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients and creation of patient "collectives." In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" (the "MCRSA"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies and distributors. Edible infused product manufacturers would require either volatile solvent or non -volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("AUMA") creating an adult-use marijuana program for adult-use 21 years of age or older. In June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which combined MCRSA and AUMA to provide one set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the state of California. MAUCRSA is codified at California Business and Professions Code sections 26000, *et seq*.

MAUCRSA went into effect on January 1, 2018. Until recently, the three agencies that regulated cannabis at the state level were the California Department of Consumer Affairs' Bureau of Cannabis Control (the "BCC"), California Department of Food and Agriculture (the "CDFA") and the California Department of Public Health (the "CDPH"). In July 2022, the BCC, CDFA, and CDPH were consolidated by California Assembly Bill 141 (approved by Governor Newsom on July 12, 2022) into the California Department of Cannabis Control (the "DCC"), which now acts as the sole state regulatory agency responsible for the licensing and regulations of all cannabis businesses in California. The California Department of Tax and Fee Administration ("CDTFA") oversees tax collection for various cannabis -specific state taxes.

Compliance with California Law

Under MAUCRSA, licensed cannabis operators are required to obtain both local and state authorizations to operate and comply with state regulations under California Code of Regulations, Title 4, Division 19, and applicable local regulations.

HC Solutions Holdings, Inc., a Delaware corporation ("HooC Solutions"), wholly -owned by Humble, operates Cabo Connection, a California corporation ("Cabo"). Cabo is a licensed cannabis manufacturer and distributor located at a 4,000 square foot facility in the City of Los Angeles. Cabo has obtained local authorization from the City of Los Angeles Department of Cannabis Regulation (the "DCR") and DCC for manufacturing and distribution activities.

HC Solutions ensures regulatory compliance with its inside compliance department and outside legal counsel. In 2023, HC Solutions hired Alyssa Clemmer to serve as its Director of Compliance. Prior to joining HC Solutions, Ms. Clemmer was the Compliance Director for Eaze. HC Solutions also relies on outside counsel Weinberg Gonser Frost LLP, a Los Angeles-based law firm with counsel dedicated to advising cannabis businesses on California regulatory compliance. Cabo is in compliance with applicable state and local law, regulations, and ordinances. HC Solutions and Cabo Connection are subject to risks including risks that third party service providers could suspend or withdraw services to these companies and that regulatory bodies could impose certain restrictions on their ability to operate in the U.S. The Company continues to be able to access both private and public capital markets for raising funds within Canada.

HC Solutions has comprehensive inventory management procedures, which are compliant with the rules set forth by the DCC and all other applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict control over Cabo's cannabis and cannabis product inventory from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products distributed by Cabo.

Reporting Requirements

The state of California selected Franwell Inc.'s METRC solution ("METRC") as the state's track -and-trace ("CCTT") system used to track commercial cannabis activity and movement across the distribution chain ("seed-to- sale"). The METRC system is mandatory for all licensed operators in the state of California. The system allows for other third-party system integration via application programming interface ("API"). Cabo utilizes DISTRU, as its inventory management software, which provides real-time reporting of its commercial cannabis activity to CCTT.

Other Activities in the US

Windship, a wholly owned Texas subsidiary of Humble, is a leading distributor for the smoke shop and cannabis accessories industries in the United States. Since 2010, Windship has serviced thousands of smoke shop retailers, sub-distributors, e-commerce companies, and CBD retailers and currently offers over 5,000 products in its portfolio. Windship has active operations in Kyle, TX, with international distribution capabilities.

Humble’s Wholly Owned Operating Subsidiaries & Brands

Humble+Fume and B.O.B. Headquarters Inc.

Humble+Fume and BobHQ are wholesale distributors of cannabis consumption devices for headshops, smoke shops, and licensed cannabis stores across Canada. With one of Canada's largest portfolio offerings of smoking accessories, including grinders, papers, pipes, vaporizers, and cleaning products, Humble+Fume and BobHQ are the distribution partners of choice by retailers. Fulfilling from a warehouse facility strategically located in Brandon, Manitoba, Humble+Fume and BobHQ reach customers coast-to-coast. A key strength of Canadian distribution operations is the high-quality brand portfolio, representing premium cannabis accessory brands such as Storz & Bickel, OCB, GRAV, PAX, Pulsar, and BIC.

Windship Trading LLC

Windship is 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 and CBD retailers. Currently offering over 3,000 products, including grinders, papers, pipes, vaporizers, and cleaning products, Windship services the whole cannabis experience. Windship has active operations in Kyle, Texas, with international distribution capabilities as well, allowing the business to service any customer in the U.S. within 48 hours. Windship has strong brand partnerships with several leading cannabis accessory brands in the U.S., including Storz & Bickel, CCELL, OCB, and PUFFCO.

Humble+ Cannabis Solutions

HCS is an integrated cannabis sales solution in North America. HCS makes sales, procurement, order management and fulfillment seamless, streamlining and simplifying the process for all involved. The team is focused on driving revenue and growth while reducing operating costs for cannabis brands. HCS distributes cannabis and cannabis accessories across all 10 provinces to over 3,000 retail locations in Canada.

HCS – US

In the US, HCS is a complete sales agency, fulfillment center and distribution service with coverage across California. HCS is a category-leading supplier with private key accounts and government customers, with a deep understanding of operating 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 represents cannabis brands, including Cookies, Canndescent California, Locals Only, Lemmon Tree and Kings Garden.

Overview

Highlights include:

- Sales increased by 4% compared to last year
- 46% reduction of operating expenses, excluding the California cannabis distribution business
- 36% reduction of inventory value compared to last year

Our commitment to strengthening the core of our business remains resolute. Anchored by our strategic priorities to stabilize operations, optimize leadership, and reduce costs, our ongoing efforts have yielded positive momentum. Notably, our sales increased by 4% year over year, showcasing our upward trajectory. Our traction in the US cannabis market, meticulous inventory management, and unwavering pursuit of operational excellence have positioned us for sustainable growth and long-term success.

1. **Leadership Optimization and Asset Restructuring:**
   - Operating expenses reduced significantly, excluding the California cannabis distribution business, with decreases of $10,875, including $3,645 in salaries and wages and $1,160 in general administrative expenses
   - Persistent focus on refining our leadership team and divesting non-contributing assets
   - Resulted in bolstered decision-making processes and enhanced operational efficiency
   - Proactive streamlining measures fostered a more agile and cost-effective business structure

2. **Strategic Emphasis on the US Cannabis Market:**
   - Intensified dedication to the California cannabis sector, characterized by higher margins and lower capital requirements
   - Directed resources to maximize opportunities within this sector
   - Aimed to solidify a robust and sustainable business model

3. **Focused Product Portfolio Strategy:**
   - Inventory value Reduction $5,580 YOY (36%)
     i. Canadian Accessories stock-keeping unit (SKU) count 4,589 from 6,384 the same period last year (28% Reduction)
     ii. US accessories SKU count 3,010 from 3,549 the same period last year (15% Reduction)
   - Deliberate approach to the accessories segment, including a targeted reduction in SKUs and a deliberate shift towards high-margin and high-velocity brands
   - Fortified competitive edge through dynamic inventory management, including amplified impairment measures and efficient unloading of slow-moving inventory

4. **Navigating Through Adversity:**
   - Effective management of challenges, including the impact of bad debt and inventory write-downs
   - Stringent cost-control measures and proactive inventory management are instrumental in maintaining resilience
   - Mitigated the impact of adversities and maintained forward momentum

Looking Ahead

By leveraging our fortified operational framework, optimizing cost structures, and staying focused on high-margin business segments, we stand well-equipped to navigate the dynamic shifts within the market. Our unwavering commitment to fostering a culture of resilience and adaptability remains a guiding force as we persist in delivering sustainable growth and creating enduring value for our stakeholders.

Key Developments During the Quarter

April 25, 2023

Humble & Fume Announces Appointment of Chris Candelario to Newly Created Role President of US Distribution & Departure of Charlie Cangialosi.

June 1, 2023

Humble & Fume Inc. Announces Private Placement of Convertible Debentures for Gross Proceeds of Approximately $2 Million.

June 13, 2023

Humble & Fume Inc. Announces Closing of Private Placement of Convertible Debentures in the Principal Amount of C$1,540,000.

June 19, 2023

Green Acre Capital Distribution Corp. Makes Additional Investment of US$1.99 Million, Increasing Its Interest in the US Distribution Joint Venture to 50.2% and Humble & Fume Provides Additional Information Concerning Recently Closed Private Placement.

Key Developments After the Quarter

August 22, 2023

Humble & Fume Inc. Bolsters Cannabis Distribution with $4 Million USD Infusion.

September 1, 2023

Humble & Fume Inc. announces transition to OTC Pink Sheets.

September 20, 2023

The Company settled their outstanding legal actions against Hexo and 48North for a cash settlement of $450. No further legal action to follow.

Results of Operations

Key Components of Results of Operations

Despite operating in multiple countries, the Company has always functioned as a single economic entity, managed by one team overseeing all its operations. For this reason, Humble considers its consolidated company as its sole reporting segment. However, as the Company expands, its reporting practices may change to reflect any organizational shifts.

The Company generates revenue by distributing cannabis and cannabis accessories in Canada and the United States. Revenue is generated through the sale of:

- B2B wholesale of cannabis accessories;
- Service fees for brand partners through Humble Cannabis Solutions; and
- Distribution of partner cannabis brands through Cabo Connection.

Revenue costs include the cost of inventory sold, production costs expensed and impairment charges. Direct and indirect production costs include labour, 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 rent, travel and general office and administrative expenses, consulting and professional fees and credit impairment losses.
- Sales and Marketing. Sales and marketing expenses are advertising and marketing events and travel expenses related to the sales and marketing teams.
- Salaries and wages. Salaries and wages comprise 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 expenses primarily relate to property, equipment, and right-of-use asset depreciation. Property and equipment comprise furniture, office equipment, leasehold improvements, and land and building. Right-of-use assets related to office and warehouse leases must 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 options' vesting period.

Summary of Factors Affecting Performance

The Company believes that Humble's business's growth and future success depend on many factors, including those described below. While each of these factors presents significant opportunities for 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 condensed consolidated statements of loss and comprehensive loss for twelve months ended June 30, 2023, and 2022. All amounts are expressed in thousands of Canadian dollars except shares loss per share information.

(Audited) (in thousands of Canadian dollars)

	Note	2023	2022
Revenues			
Sale of products revenue	19	$ 67,026	$ 64,287
Service revenue	19	1,487	1,863
Total revenue		68,513	66,150
Cost of sale of products		58,339	53,484
Gross Margin		10,174	12,666
Operating expenses			
General and administration		10,961	6,250
Sales and marketing		2,683	1,882
Salaries and wages		15,621	13,233
Operations and customer support		3,529	1,214
Depreciation and amortization	11	897	850
Share based payments	16	(187)	1,595
Restructuring charge	26	715	1,336
Impairment of assets	27	552	3,180
		34,771	29,540
(Loss) Income from operations		(24,597)	(16,875)
Other (income) expenses			
Finance expense (income)		675	236
Other (income) expenses		(15)	46
Foreign exchange (gain) loss		(586)	(1,015)
Total other (income) expense		74	(733)
Loss before tax		(24,671)	(16,142)
Income tax expense (recovery)	24	314	(52)
Net loss for the period		(24,985)	(16,090)
Net loss for the period attributable to:			
Shareholders		$ (18,534)	$ (15,590)
Non-controlling interest	25	(6,451)	(500)
		$ (24,985)	$ (16,090)
Loss per share - basic and diluted		$ (0.15)	$ (0.13)
Weighted average number of common shares		124,188,060	116,722,797
Net loss for the period		$ (24,985)	$ (16,090)
Other comprehensive income			
Unrealized foreign currency translation gains (losses)		110	(377)
Total comprehensive loss for the period		$ (24,875)	$ (16,467)
Total comprehensive loss for the period attributable to:			
Shareholders		$ (18,424)	$ (15,967)
Non-controlling interest		(6,451)	(500)
		$ (24,875)	$ (16,467)

The table below quantifies balance sheet exposure to U.S.marijuana-related activities:

Balance Sheet	%
Total Assets	48%
Total Liabilities	22%
Total Equity	3%

(Audited) (in thousands of Canadian dollars)

Quarterly Results of Operations

The following table sets forth selected quarterly statements of operations data for the previous nine fiscal quarters commencing June 30, 2021, and ending June 30, 2023.

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December31, 2021	September 30, 2021	June 30, 2021
	$	$	$	$	$	$	$	$	$
Revenue	14,501	16,003	19,613	18,397	15,134	16,111	16,853	18,052	19,404
Net loss	-6,549	-2,872	-5,390	-3,723	-7,236	-2,545	-4,152	-1,668	-89
Loss per share- diluted	(0.05)	(0.02)	(0.04)	(0.03)	(0.06)	(0.02)	(0.04)	(0.02)	(0.00)
Fully diluted weighted Average Number of Shares	124,188,060	124,168,060	124,165,719	124,158,924	123,924,327	123,824,628	114,841,491	104,528,625	58,624,069

Revenue

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
68,513	66,150	2,363	4%	14,501	15,134	(633)	-4%

Consolidated revenue decreased from $15,134 to $14,501 or -4% for the three months ended June 30, 2023, compared to the same period in 2022.

Consolidated revenue increased from $66,150 to $68,513 or 4% for the twelve months ended June 30, 2023, compared to the same period in 2022. The increase in year-over-year revenue in the U.S. is attributable to management's continued focus on California cannabis distribution. Management believes there are significant growth opportunities available in this business unit. Revenues from U.S. operations totaled $40,002 reflecting an increase of $2,060 or 5%.

Cost of Revenue

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
58,339	53,484	4,855	9%	12,616	12,356	260	2%

The cost of revenue increased from $12,356 to $12,616 or 2% for the three months ended June 30, 2023, compared to the same period in 2022. The increase in the cost of revenue over this period is largely attributable to the growth in the California distribution business in the three months ended June 30, 2023.

The cost of revenue increased from $53,484 to $58,339 or 9% for the twelve months ended June 30, 2023, compared to the same period in 2022. The increase in the cost of revenue over this period is largely attributed to increased revenue for the period and the mix impact due to the growth of the California Distribution business.

(Audited) (in thousands of Canadian dollars)

Gross Profit

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
10,174	12,666	(2,492)	-20%	1,885	2,778	(893)	-32%

Gross profit decreased from $2,778 to $1,885 or -32% for the three months ended June 30, 2023, compared to the equivalent period in the prior year. The gross margin decrease is largely attributable to the portfolio mix driven by a lower margin structure in the California distribution business as part of our strategy to acquire customers and market share.

Gross profit decreased from $12,666 to $10,174 or -20% for the twelve months ended June 30, 2023, compared to the equivalent period in the prior year. The gross margin decrease is largely attributable to the portfolio mix driven by a lower margin structure in the California distribution business and the increased cost of goods sold in the accessories business. In addition one time inventory adjustments resulted in a negative impact to gross profit of $578.

Operating Expense Summary

	Twelve months ended June 30, 2023				Three months ended June 30, 2023			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
General and administrative	10,961	6,250	4,711	75%	4,376	1,954	2,422	124%
Sales and marketing	2,683	1,882	801	43%	928	869	59	7%
Salaries and wages	15,621	13,233	2,388	18%	3,482	3,985	(503)	-13%
Operations and customer support	3,529	1,214	2,315	191%	638	533	105	20%
Depreciation and amortization	897	850	47	6%	216	166	50	30%
Share-based payments	(187)	1,595	(1,782)	-112%	(30)	325	(355)	-109%
Restructuring Charge	715	1,336	(621)	-46%	17	390	(373)	-96%
Impairment of assets	552	3,180	(2,628)	-83%	552	3,180	(2,628)	-83%
Total operating expenses	34,771	29,540	5,231	18%	10,179	11,402	(1,223)	-11%

Operating expenses decreased from $11,402 to $10,179 for the three months ended June 30, 2023, compared to the equivalent period in the prior year. The decrease increase is primarily driven by the inclusion Fume labs impairment in the prior year, the reduction of restructuring charges and share-based payments. Total operating expenses decreased by 11%.

Operating expenses increased from $29,540 to $34,771 for the twelve months ended June 30, 2023, compared to the equivalent period in the prior year. The increase is primarily driven by the inclusion of the California distribution business, partially offset by savings in impairments restructuring charges and share-based payments. As a percentage of revenues, total operating expenses increased by 18% during the twelve months ended June 30, 2023. This increase is largely due to the inclusion of the California distribution business. California cannabis distribution represents 48% of the total operating expense. All other units saw a decrease in operating expenses of $10,875 or 41% for the twelve months ending June 30, 2023, compared to the prior year. We continue to focus on driving a more effective and efficient operating model focusing on margin-enhancing opportunities.

(Audited) (in thousands of Canadian dollars)

General Administrative Expenses

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
10,961	6,250	4,711	75%	4,376	1,954	2,422	124%

General and administrative expenses increased by $2,422 or 124% for the three months ended June 30, 2023, from $1,954 to $4,376 compared to the same quarter in 2022. The increase is impacted by provisions to AR of $1,669 in the current year and the California cannabis distribution business continues to support and grow partner brands.

General and administrative expenses increased by $4,711,or 75%, for the twelve months ended June 30, 2023, from $6,250 to $10,961 compared to the same period in 2022. This increase is driven by the California cannabis distribution business increasing to $5,528. The Company incurs the ongoing costs of compliance associated with being a public company, including accounting and legal expenses, because of the U.S. expansion strategy.

Sales and Marketing Expenses

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
2,683	1,882	801	43%	928	869	59	7%

Sales and marketing costs increased by $59 or 7% compared to the prior quarter for the three months ending June 30, 2023.

Sales and marketing costs increased by $801 or 43 % for the twelve months ended June 30, 2023, compared to the equivalent period in the prior year. The year-over-year increase is directly attributable to the California expansion, with $1,672 invested within the previous year to support our brand portfolio and win the market.

Salaries and Wages

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
15,621	13,233	2,388	18%	3,482	3,985	(503)	- 13%

Salaries and wages represent the largest segment of operating expenses for Humble and totaled $3,482 for the three months ended June 30, 2023, compared to $3,985 over the same period in the prior year.

For the twelve months ending June 30, 2023, salaries and wages increased by $2.4 million compared to the prior year. The increase in salaries and wages is attributable to the California expansion, with $6.8 million and $1.7 million of cost attributable to the California business for the twelve and three-month periods, respectively. The Company has decreased $3.6 million versus the prior year, excluding California salary and wages. This represents a 29% decrease compared to same period last year.

(Audited) (in thousands of Canadian dollars)

Operations and Customer Support Expenses

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
3,529	1,214	2,315	191%	638	533	105	20%

Operations and customer support increased by $105 or 20% for the three months ended June 30, 2023, compared to the equivalent period in the prior year. The increase in operations and customer support is attributable to the California expansion, with $583 of cost attributable to the California business.

Operations and customer support increased by $2,315 or 191% for the twelve months ended June 30, 2023, compared to the equivalent period in the prior year. The increase in operations and customer support is attributable to the California expansion with $3,233 of cost attributable to the California business.

Depreciation and Amortization Expense

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
897	850	47	6%	216	166	50	30%

Depreciation and amortization decreased by $50 or 30% for the three months ended June 30, 2023, compared to the equivalent period in the prior year.

Depreciation and amortization decreased by $47 for the twelve months ended June 30, 2023, compared to the equivalent period in the prior year.

Share-based Payments

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
(187)	1,595	(1,782)	-112%	(30)	325	(355)	-109%

Share-based compensation decreased from $325 to -$22 or -107% for the three months ended June 30, 2023, compared to the same period in the prior year.

Share-based compensation decreased from $1,595 to -$187 or -112% for the twelve months ended June 30, 2023, compared to the same period in the prior year. Share-based compensation is largely attributable to the change in the leadership team.

(Audited) (in thousands of Canadian dollars)

Restructuring Charge

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
715	1,336	(621)	-46%	17	390	(373)	-96%

The Company was engaged in restructuring efforts during the previous periods. The restructuring charge was driven primarily by the closure of the Nevada warehouse, right sizing the accessories headcount and changes to the leadership team. Like the prior quarters, the objective of the restructuring is to right-size our cost structure & improve the overall P&L health.

Impairment of Assets

Twelve months ended June 30, 2023				Three months ended June 30, 2023			
2023	2022	Change		2023	2022	Change	
$	$	$	%	$	$	$	%
552	3,180	(2,628)	-83%	552	3,180	(2,628)	-83%

Non-operating Items Summary

	Twelve months ended June 30, 2023				Three months ended June 30, 2023			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Finance expense (income)	675	236	439	186%	195	52	143	275%
Other (income) expenses	(15)	46	(61)	-133%	49	(70)	119	-170%
Foreign exchange (gain) loss	(586)	(1,015)	429	-42%	776	(869)	1,645	-189%
Total Non-operating Items	74	(733)	807	-110%	1,020	(887)	1,907	-215%

Finance Expense

Finance expenses increased from $52 to $195 or 275 % for the three months ended June 30, 2023, compared to the same period in the prior year. This is driven by the carrying cost of the debt and the lease of the California warehouse that was outside the previous year.

Finance expenses increased from $236 to $675 or 439 % for the twelve months ended June 30, 2023, compared to the same period in the prior year. This is driven by the carrying cost of the debt and the lease of the California warehouse that was outside the previous year.

Other Expenses (income)

Other expenses (income) increased from ($70) to $49 for the three months ended June 30, 2023, compared to the same period in the prior year.

Other expenses (income) changed from an expense of $46 to an income of ($15) for the twelve months ended June 30, 2023, compared to the same period in the prior year.

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. Humble saw a decrease in foreign exchange from ($869) to a loss of $766 for the three months ended June 30, 2023, compared to the same period in the prior year.

Net Losses

Net losses before taxation decreased from $7,737 for the three months ended June 30, 2022, to $9,314 for the three months ended June 30, 2023.

Net losses increased from $16,142 on June 30, 2022, to $24,671or the twelve months ended June 30, 2023.

Selected Information

Total Assets

June 30, 2023, and June 30, 2022

The total assets decreased from $36,456 to $28,152 as of June 30, 2023, compared to June 30, 2022. Cash balance decreased quarter-over-quarter from $4,351 to $2,837. Accounts receivable decreased quarter-over-quarter from $8,273 to $4,672. Prepaid expenses increased quarter-over-quarter from $4,602 to $4,842. Inventory carrying amount decreased quarter-over-quarter from $11,514 to $9,802. Management expects to realize a continued optimization of its inventory levels resulting in improved working capital demands.

Total Liabilities

June 30, 2023, and June 30, 2022

Total liabilities increased from $9,955 to $12,850 as of June 30, 2023, compared to June 30, 2022. The increase was largely due to increased lease liability and loan payable.

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 considering the current and future industry, markets and economic risks and conditions.

The Company defines capital as the aggregate of equity and debt.

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 or secure additional debt.

The new management team focuses on improving the business's cash flow. They are using all available levers to deliver this goal, including but not limited to, working capital improvements, issuing additional equity or securing additional debt.

(Audited) (in thousands of Canadian dollars)

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.

The Company is focusing on the continued reduction of current inventory and accounts receivable to deliver additional working capital to the business. We are also exploring other opportunities to deliver additional working capital to the business.

As of June 30, 2023, the working capital surplus was $14,182, equivalent to the Company's net current assets. This is a decrease of $ 9,555 compared to the balance as of June 30, 2022. Humble continues to optimize its working capital position through efficient procurement in meeting customer fulfillment demands.

		June 30, 2023		June 30, 2022
Accounts receivable	$	(231)	$	(4,570)
Prepaid expenses and deposits		(1,507)		(1,555)
Inventories		5,609		1,828
Accounts payable and accrued liabilities		(967)		2,780
Taxes recoverable		291		584
	$	3,195	$	(933)

Cash Flows Used in/from Operating Activities

The cash flows used in operating activities for the twelve months ended June 30, 2023 increased from $11,797 to $18,244 when compared to the same period in the prior year. The increase in the cash flows used in operating activities is primarily due to the increase in net loss from operations and was offset by improvements to changes in non-cash working capital item of 3,192.

Cash Flows Used in/from Investing Activities

The cash flows used in investing activities for the twelve months ended June 30, 2023 decreased from $2,320 to $966 compared to the equivalent period in the prior year. The change in cash flow from investing activities decreased primarily due to an increase in purchases of property plant & equipment, acquisition of certain intangible assets at Cabo in the prior period and additions to property plant and equipment.

Cash Flows Used in/from Financing Activities

The cash inflows from financing activities for the twelve months ended June 30, 2023 increased from $11.1 million to $15.7 million compared to the equivalent period in the prior year. The increase in cash inflows from financing activities is primarily from Humble's non-controlling interest relating to the California entity of, a loan payable advance, and convertible debenture issuance.

(Audited) (in thousands of Canadian dollars)

Contractual Obligations

We have contractual obligations with a variety of expiration dates. The table below outlines all contractual obligations as at June 30, 2023:

	Carrying amount	Contractual cash flow	2023	2024	2025	2026	2027	Thereafter
Lease liability	$ 3,000	$ 4,608	$ 772	$ 790	$ 809	$ 829	$ 558	$ 850
Loan payable	2,091	2,400	200	2,200	-	-	-	-
Trade and other payable	7,061	7,061	7,061	-	-	-	-	-
Total	$ 12,152	$ 14,069	$ 8,033	$ 2,990	$ 809	$ 829	$ 558	$ 850

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of June 30, 2023 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, 2023	June 30, 2022
Due from Shareholders	$ 333	$ 328
Due from related parties	**$ 333**	**$ 328**

Key management includes the Company's directors and members of the executive management team. Total compensation of key management personnel and directors was $1,565 for the year ended June 30, 2023 (2022 – $2,212), which included $1,136 of salaries (2022 – $1,088) and $429 (2022 – $1,124) 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 a member of the Company's executive management. During the nine months ended March 31, 2023, the Company paid $nil in rent and common area charges (2022 – $215). As of February 2022, the premises were no longer owned by a related party.

During the year ended June 30, 2023, the Company purchased $nil (2022 – $379) of inventory from a company that was owned and controlled by two shareholders.

The Company paid for credit card processing services from a corporation that purchases services from another entity, in which a related party holds a minority interest. During the year ended June 30, 2023, the Company purchased $nil (2022 – $366) of these services, of which $nil (2022 – $29) are purchased from the entity in which the related party has a minor stake.

(Audited) (in thousands of Canadian dollars)

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 and due from related parties. 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 and cash equivalents subjects the Company to credit risk. At June 30, 2023, the Company had cash and cash equivalents of approximately $2.8 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 97% of the cash and cash equivalents 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 had no customers comprising more than 10% of trade receivables at June 30, 2023 and one customer comprising 13% of trade receivables at June 30, 2022.

At June 30, 2023 and 2022 the Company does not consider any of its financial assets to be impaired, with the exception of accounts receivable balances and other assets as described in Note 5 for which a provision has been recorded.

At June 30, 2023, $5,127 (June 30, 2022 – $2,406) 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 receivable at the reporting date was:

	June 30, 2023	June 30, 2022
	Gross	Gross
Not past due	$ 1,883	$ 3,793
Past due 1-30 days	1,454	825
Past due 31-90 days	1,284	771
Past due 90+ days	2,388	1,492
	$ 7,009	$ 6,881

Past due	0 days	1-30 days	31-90 days	90+ days	Total
ECL rate	0.27%	0.32%	5.74%	94.36%	
ECL Allowance	$ 5	$ 5	$ 74	$ 2,254	$ 2,337

Past due	5,127
ECL Allowance	$ (2,337)
Past due, not impaired	$ 2,790

(Audited) (in thousands of Canadian dollars)

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 denominated in U.S. dollars that expose the Company to foreign exchange risks. The Company has a self-sustaining operation in the U.S. with 70% (2022 – 57%) 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, 2023, the Company had U.S. dollar denominated cash of approximately US$1,018 (2022 – US$3,356) and U.S. dollar denominated net assets of approximately US$4,467 (2022 – US$13,326). 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, 2023, would have increased the foreign exchange gain for the period by approximately $223 (2022 – $666) 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, 124,188,060 common shares are issued and outstanding.

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

	Number of shares
Share Capital	124,188,060
Stock Options	4,176,475

Risk Factors

The Company's overall performance and results of operations are subject to various risks and uncertainties that may materially and adversely affect the 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, 2022 available under the Company's profile on www.sedarplus.com, which risk factors should be reviewed in detail by all readers. Risks involved with the cannabis industry as described in the sections "Forward - Looking Statements" and "Illegality of Cannabis at the U.S. Federal Level" should also 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 the 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.

(Audited) (in thousands of Canadian dollars)

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.

	Twelve months ended June 30,		Three months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Net loss for the period	(24,985)	(16,090)	(9,321)	(7,725)
Finance expense (income)	675	236	195	52
Restructuring Charge	715	1,336	17	390
Depreciation and amortization	897	850	216	166
Share-based payments	(187)	1,595	(30)	325
Income tax expense (recovery)	314	(52)	7	(12)
Foreign exchange (gain) loss	(586)	(1,015)	776	(869)
Adjusted EBITDA	(23,157)	(13,140)	(8,140)	(7,673)

Adjusted EBITDA for the three months ended June 30, 2023, was $(8.1) million, compared to $(7.7) million for the same period in the prior year. For the twelve months ended June 30, 2023, adjusted EBITDA was $(23.1) million, compared to $(13.1) million for the same period in the prior year. Changes in year-over-year adjusted EBITDA were driven primarily by, increased operating expenses related to the California cannabis distribution business.