Delivra Health Brands Inc.

(Formerly Harvest One Cannabis Inc.)

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and six months ended December 31, 2022 and 2021

(in Canadian dollars)

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Notice to reader

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

Delivra Health Brands Inc. (Formerly Harvest One Cannabis Inc.)

Condensed consolidated interim statements of financial position

As at December 31, 2022 and June 30, 2022

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	**December 31 2022**	June 30 2022
		$	$
Assets			
Current assets			
Cash		**3,759**	1,084
Accounts receivable	3	**1,757**	1,576
Short term investments	4	**19**	26
Lease receivable		**144**	134
Inventories	5	**2,837**	2,220
Prepaid expenses and deposits		**254**	104
Assets held for sale	15	**-**	2,341
		8,770	7,485
Lease receivable		**80**	155
Property, plant and equipment	6	**222**	270
Intangible assets	7	**3,048**	3,675
Total assets		**12,120**	11,585
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**6,127**	6,105
Loans and lease liabilities	9	**406**	436
		6,533	6,541
Loans and lease liabilities	9	**1,486**	1,671
Total liabilities		**8,019**	8,212
Equity			
Share capital	11	**148,226**	148,226
Other reserves	12	**25,350**	25,234
Accumulated other comprehensive loss		**(127)**	(233)
Accumulated deficit		**(169,348)**	(169,854)
Total equity		**4,101**	3,373
Total liabilities and equity		**12,120**	11,585

Going concern (note 2(c))
Commitments and contingencies (note 16)

"Jason Bednar"
Jason Bednar, Director

"Gord Davey"
Gord Davey, Director

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

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

		Three months ended December 31		Six months ended December 31	
	Note	**2022**	2021	**2022**	2021
		$	$	**$**	$
Revenue		**2,415**	1,761	**4,177**	3,920
Excise taxes		**(23)**	(15)	**(56)**	(44)
Net revenue	14	**2,392**	1,746	**4,121**	3,876
Inventory expensed to cost of sales		**1,284**	941	**2,124**	2,362
Inventory write-down	5	**121**	161	**132**	161
Gross profit		**987**	644	**1,865**	1,353
Expenses					
General and administration	10	**888**	1,157	**1,853**	2,232
Sales and marketing		**80**	602	**159**	1,014
Depreciation and amortization		**332**	527	**664**	1,064
Share-based compensation	12	**78**	87	**117**	236
		1,378	2,373	**2,793**	4,546
Loss from operations		**(391)**	(1,729)	**(928)**	(3,193)
Other (expense) income					
Interest and finance costs		**(80)**	(79)	**82**	(87)
Gain (loss) on assets disposal		**613**	-	**602**	(67)
Gain from debt/accounts payable settlement and other refunds		**777**	150	**777**	393
Unrealized loss/gain on short term investment		**(5)**	34	**(7)**	(110)
Foreign exchange gain (loss)		**(24)**	(6)	**(20)**	(19)
		1,281	99	**1,434**	110
Net gain (loss) from operations		**890**	(1,630)	**506**	(3,083)
Other comprehensive loss					
Foreign currency translation		**31**	(19)	**106**	10
Comprehensive gain (loss)		**921**	(1,649)	**612**	(3,073)
Net gain (loss) per share – basic and diluted		**0.004**	(0.01)	**0.002**	(0.01)
Weighted average number of outstanding common shares		**252,617,854**	252,617,854	**252,617,854**	252,617,854

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

Delivra Health Brands Inc. (Formerly Harvest One Cannabis Inc.)

Condensed consolidated interim statements of changes in equity

For the six months ended December 31, 2022 and 2021

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total
		#	$	$	$	$	$	$
Balance, June 30, 2021		252,617,854	148,226	24,882	(286)	(162,845)	-	9,977
Share-based compensation	12	-	-	236	-	-	-	236
Foreign currency translation		-	-	-	10	-	-	10
Net loss		-	-	-	-	(3,083)	-	(3,083)
Balance, December 31, 2021		**252,617,854**	**148,226**	**25,118**	**(276)**	**(165,928)**	**-**	**7,140**
Balance, June 30, 2022		252,617,854	148,226	25,234	(233)	(169,854)	-	**3,373**
Share-based compensation	12	-	-	116	-	-	-	**116**
Foreign currency translation		-	-	-	106	-	-	**106**
Net loss		-	-	-	-	506	-	**506**
Balance, December 31, 2022		**252,617,854**	**148,226**	**25,350**	**(127)**	**(169,348)**	**-**	**4,101**

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

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

		For the six months ended December 31	
	Note	**2022**	**2021**
			$
Operating activities			
Net gain (loss)		**506**	(3,083)
Adjustments to reconcile non-cash items			-
Depreciation and amortization	6,7	**664**	1,064
Asset impairment and write-downs		**-**	-
Impairment loss on remeasurement of disposal group		**-**	-
Inventory write-down	5	**132**	130
Unrealized loss on fair valuation of investment	4	**7**	110
Share-based compensation	12	**116**	236
Loss (gain) on disposal of assets	6,15	**(603)**	67
Interest and accretion on loans and borrowings	9	**(110)**	63
Gain on loan forgiveness/Accounts payable settlement		**(777)**	(78)
Changes in working capital		**-**	-
Cash reclassed as asset held for sale		**-**	-
Accounts and lease receivable		**(117)**	83
Inventories		**(748)**	(369)
Prepaid expenses and deposits		**(150)**	(117)
Accounts payable and accrued liabilities		**812**	(990)
Net cash used in operating activities		**(268)**	(2,884)
Investing activities			
Purchase of property, plant and equipment	6	**-**	(10)
Proceeds from sale of assets held for sale	15	**2,954**	-
Proceeds from sale of property, plant and equipment	6	**-**	104
Purchase of intangibles	7	**-**	(8)
Proceeds from Cann Group shares	3	**-**	719
Net cash provided by investing activities		**2,954**	805
Financing activities			
Repayment of loans and borrowings	9	**(116)**	(132)
Net cash used in financing activities		**(116)**	(132)
Effect of foreign exchange on cash		**105**	10
Change in cash during the period		**2,675**	(2,201)
Cash, beginning of the year		**1,084**	4,431
Cash, end of the period		**3,759**	2,230

Supplemental information:

1) During the six months ended December 31, 2022, the interest paid on lease liabilities was $41 (2021: $41)
2) During the six months ended December 31, 2022, the interest received on lease receivables was $41 (2021: $41)

1. Nature of operations

Delivra Health Brands Inc. (formerly Harvest One Cannabis Inc.) ("Delivra Health" or the "Company") is a publicly traded corporation, incorporated in Canada, with its head office located at 404 – 999 Canada Place, Vancouver, BC, V6C 3E1. Delivra Health's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "DHB" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "DHBUF". The Company was formerly known as Harvest One Cannabis Inc. and was listed on the TSXV under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "HRVOF". The name change was approved by the TSXV in September 2022.

These unaudited condensed consolidated interim financial statements as at and for the three and six months ended December 31, 2022 and 2021 include Delivra Health and its subsidiaries (together referred to as "the Company").

The Company's cultivation as well as medical and nutraceutical businesses were sold during the year ended June 30, 2021. Both were presented within discontinued operations during the year ended June 30, 2021. The only remaining principal activities of the Company are to provide innovative lifestyle and health and wellness products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water Global ("Dream Water") and Delivra Corp. ("Delivra").

2. Significant accounting policies

a) *Basis of presentation*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended June 30, 2022 other than those disclosed in note 2(f). These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on February 22, 2023.

b) *COVID-19 Estimation Uncertainty*

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses.

To date, the Company has not experienced a significant downturn in demand for its products in connection with the pandemic, nor has it experienced any failure to secure critical supplies or services. However, travel restrictions have impacted the overall performance of the Company. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future.

c) *Basis of accounting – going concern*

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

The Company's ability to continue in the normal course of operations is dependent on its ability to achieve profitable operation, raise additional capital through debt or equity financings, and/or divestiture of non-core assets. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing further financing transactions in the future.

The Company had a consolidated net gain of $921 and $612 for the three and six months ended December 31, 2022 and negative operating cash flows of $268 for the six months ended December 31, 2022 and an accumulated deficit of $169,348 as at December 31, 2022. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

2. Significant accounting policies (continued)

d) *Basis of measurement*

These condensed consolidated interim financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

e) *Basis of consolidation*

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated.

Subsidiary	Jurisdiction	% ownership	Accounting method
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
Delivra Corp.	Canada	100%	Consolidation
Delivra Inc.	Canada	100%	Consolidation
Delivra Pharmaceuticals Inc.	Canada	100%	Consolidation
LivCorp Inc.	Canada	100%	Consolidation
LivCorp International Inc.	Canada	100%	Consolidation
LivVet Inc.	Canada	100%	Consolidation
PortaPack Ltd.	Canada	100%	Consolidation
United Greeneries Holdings Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation

f) *New accounting policy adopted*

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2022 with no impact on the preparation of the condensed consolidated interim financial statements:

IAS 16, Property, Plant and Equipment: This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of this new standard has no impact on the amounts recognized in the Company's condensed consolidated financial statements.

IAS 37, Provisions: This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfill a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of this new standard has no impact on the amounts recognized in the Company's condensed consolidated financial statements.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

3. Accounts receivable

The summary of the Company's accounts receivable is as follows:

	December 31 2022	June 30 2022
	$	$
Trade receivables	**1,547**	1,377
Other receivables	**49**	50
Taxes recoverable from governments	**161**	149
	1,757	1,576

The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

4. Short term investments

The Company's short term investments is composed of by the Cann Group shares received relating to the sale of the Company's wholly owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities"), the shares are valued at the closing share price at the end of the reporting period.

The continuity of the Company's short term investments is as follows:

Balance, June 30, 2021	711
Additions	731
Disposal of shares, net of brokerage fees	(1,268)
Realized loss on disposal	(637)
Unrealized gain on changes in fair value	486
Unrealized loss on foreign exchange	3
Balance, June 30, 2022	26
Unrealized loss on changes in fair value	(7)
Balance, December 31, 2022	**19**

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

5. Inventories

The summary of the Company's inventories is as follows:

	December 31 2022	June 30 2022
	$	$
Infused licensed products		
Raw materials and work-in-progress	**233**	126
Finished goods	**46**	111
	279	237
Liquid sleep shots and sleep powder packets		
Finished goods	**1,284**	904
	1,284	904
Pain relief creams		
Raw materials and work-in-progress	**752**	565
Finished goods	**532**	452
	1,284	1,017
Packaging and supplies	**306**	259
Inventory allowance	**(316)**	(197)
	2,837	2,220

a) *Infused licensed products*

Infused licensed products on hand as at December 31, 2022 pertains to infused 2.0 products produced and held by the Company's manufacturer/distributor.

b) *Allowance and write-downs*

During the three and six months ended December 31, 2022, the inventory write-down was $121 and $132 (2021: $161 and nil). Due to estimation uncertainties attributable to forecasting including slow moving and expiry dates, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, as at December 31, 2022, the Company recognized an inventory valuation allowance of $316.

6. Property, plant and equipment

The summary of the Company's property, plant and equipment is as follows:

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
	$	$	$	$	$
Cost					
July 1, 2021	480	342	2,511	154	3,487
Additions	-	10	-	-	10
Transfers to assets held for sale (note 15)	-	-	(2,341)	-	(2,341)
Disposals and write-downs	-	-	(159)	-	(159)
June 30, 2022	480	352	11	154	997

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

6. Property, plant and equipment (Continued)

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
Accumulated depreciation					
July 1, 2021	153	284	-	142	579
Depreciation	76	60	-	12	148
June 30, 2022	229	344	-	154	727
Net book value June 30, 2022	251	8	11	-	270
Cost					
July 1, 2022	480	352	11	154	997
Additions	-	-	-	-	-
Disposal	-	-	(11)	-	(11)
December 31, 2022	480	352	-	154	986
Accumulated depreciation					
July 1, 2022	229	344	-	154	727
Depreciation	36	2	-	-	38
December 31, 2022	265	346	-	154	765
Net book value December 31, 2022	**215**	**6**	**-**	**-**	**222**

During the three and six months ended December 31, 2022, the company disposed of a technology project under the construction in progress with a loss of nil and $11. During the three and six months ended December 31, 2021, the Company disposed $159 of capitalized costs under construction in process and received $104 proceeds from the disposal with a $55 loss on disposal.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

7. Intangible assets

The summary of the Company's intangible assets is as follows:

	Brand names	Technology & formulations	In-process R&D	Customer relationships	Website &other	Total
Cost	$	$	$	$	$	$
July 1, 2021	6,043	2,154	398	1,540	123	10,258
Additions	-	-	-	-	12	12
Disposals and write-downs	-	-	(398)	-	-	(398)
June 30, 2022	6,043	2,154	-	1,540	135	9,872
Accumulated amortization						
July 1, 2021	2,014	1,463	-	679	70	4,226
Amortization	1,007	691	-	237	36	1,971
June 30, 2022	3,021	2,154	-	916	106	6,197
Net book value June 30, 2022	3,022	-	-	624	28	3,675
Cost						
July 1, 2022	6,043	2,154	-	1,540	135	9,872
Additions	-	-	-	-	-	-
December 31, 2022	6,043	2,154	-	1,540	135	9,872
Accumulated amortization						
July 1, 2022	3,021	2,154	-	916	106	6,197
Amortization	502	-	-	110	15	627
December 31, 2022	3,523	2,154	-	1,026	121	6,824
Net book value December 31, 2022	**2,520**	**-**	**-**	**514**	**14**	**3,048**

8. Accounts payable and accrued liabilities

The summary of the Company's accounts payable and accrued liabilities is as follows:

	December 31 2022	June 30 2022
	$	$
Trade payables	2,949	3,584
Accrued liabilities	2,241	1,744
Payroll liabilities	133	186
Other payables	804	591
	6,127	6,105

Trade payables, accrued liabilities, payroll liabilities and other payables are non-interest bearing. All amounts are expected to be settled within 12 months.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

9. Loans and lease liabilities

The summary of the Company's loans and borrowings is as follows:

	Notes	**December 31 2022**	June 30 2022
		$	$
Secured and unsecured loans	(a)	1,668	1,819
Lease liabilities	(b)	224	288
Total loans and lease liabilities		1,892	2,107
Current portion		(406)	(436)
Non-current portion		1,486	1,671

a) *Secured and unsecured loans*

In connection with the Delivra acquisition on July 3, 2019, the Company assumed eight unsecured loans from the Atlantic Canada Opportunities Agency ("ACOA") and one secured loan from Finance PEI. The loan with Finance PEI are secured by a registered General Security Agreement conveying an interest in all personal property of the Company's subsidiary, LivCorp Inc., and a limited guarantee by Delivra Inc. to a maximum of the principal amount of debt outstanding together with accrued interest, this loan has been fully paid off during the year ended June 30, 2021. The summary of the secured and unsecured loans assumed is as follows:

	Discount Rate(ii)	Maturity	Face Value	Balance, July 1, 2022	Accretion	Repayments	**Total**
			$	$	$	$	**$**
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,239	(89)	-	1,150
ACOA 202454	16%	2023	85	10	-	(1)	9
ACOA 203110	16%	2024	197	87	6	(19)	74
ACOA 206091	16%	2023	76	21	2	(12)	11
ACOA 206924	16%	2026	117	51	4	(9)	46
ACOA 207593	16%	(i)	484	411	(33)	-	378
Balance, December 31, 2021			3,819	1,819	(110)	(41)	1,668

(i) The annual instalments are calculated as 5% to 10% of forecasted revenues from pipeline products for the calendar year immediately preceding the due date of the respective payment, with an estimated commencement date of August 31, 2023 to August 31, 2024.

(ii) The discount rate used to calculate the fair value of the loans

The loans with ACOA are through the Atlantic Innovation Fund for the specified projects, in which repayable contributions are received by the Company to a maximum amount based on the lesser of: (i) a percentage of eligible costs, plus a percentage of working capital requirements for the project in certain instances, and (ii) a specified amount. The Company must meet certain conditions of assistance, which are specific to each agreement and project, including maintaining specified amounts of equity.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

9. Loans and lease liabilities (continued)

b) *Lease liabilities*

The continuity of the Company's lease liabilities is as follows:

Balance, June 30, 2021	418
Interest expense on lease liabilities	49
Lease payments	(179)
Balance, June 30, 2022	288
Interest expense on lease liabilities	18
Lease payments	(82)
Balance, December 31, 2021	224
Current portion	(144)
Non-current portion	80

For three and six months ended December 31, 2022, the Company recorded $2 and $(5) rent expense (recovery) relating to short term leases.

10. General and administration expenses

The summary of the Company's general and administration expenses is as follows:

	Three months ended December 31		**Six months ended December 31**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Insurance	**45**	33	**87**	76
Investor relations	**17**	10	**37**	29
Office and general	**104**	155	**221**	265
Professional and consulting services	**194**	294	**393**	534
Regulatory	**19**	3	**22**	6
Rent	**2**	16	**(5)**	17
Salaries, bonus and benefits	**489**	627	**1,071**	1,278
Travel	**18**	19	**27**	26
	888	1,157	**1,853**	2,232

11. Share capital

a) *Authorized*

The Company has an unlimited number of authorized common shares with no par value.

b) *Issued capital*

At December 31, 2022, 252,617,854 common shares (June 30, 2022 – 252,617,854) were issued and fully paid.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

12. Other reserves

The summary of the Company's other reserves is as follows:

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2021	11,426	12,641	815	24,882
Warrants issued	-	16	-	16
Share-based compensation	336	-	-	336
Balance, June 30, 2022	11,762	12,658	815	25,234
Share-based compensation	116	-	-	116
Balance, December 31, 2022	**11,878**	**12,658**	**815**	**25,350**

a) *Share-based awards*

(i) Stock options

The Company has established a share purchase option plan ("Plan") whereby the Company's Board of Directors may from time to time grant stock options to employees and non-employees. Options granted under the Plan will not have a term to exceed 5 years from the date of grant. The maximum number of shares that may be reserved for issuance under the Plan is 21,507,948. Vesting is determined by the Board of Directors.

The continuity of the Company's stock options is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30, 2021	18,479,112	0.31
Expired	(1,677,319)	0.91
Forfeited	(1,598,652)	0.32
Outstanding at June 30, 2022	**15,203,141**	**0.24**
Granted	4,900,000	0.05
Forfeited	(1,752,778)	0.16
Outstanding at December 31, 2022	**18,350,363**	**0.20**

The Company announced on November 2, 2022 that it has granted certain directors, officers and employees of the Company an aggregate of 4,900,000 options to purchase common shares in the capital of the Company pursuant to its share option plan. The options are exercisable at a price of $0.05 per common share and will have an expiry date on October 31, 2027. The stock options were vested immediately upon grant.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted. The following assumptions were applied for the stock options granted above:

	December 31 2022
Risk-free interest rate	**3.43%**
Expected life of options (years)	**5.00**
Expected annualized volatility	**126.20%**
Expected dividend yield	**Nil**

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

12. Other reserves (continued)

The number of options outstanding and exercisable at December 31, 2021 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
January 24, 2023	877,625	0.76	877,625
September 18, 2023	700,000	0.91	700,000
October 12, 2023	297,500	0.61	297,500
April 22, 2024	775,000	0.85	775,000
July 31, 2024	300,000	0.56	300,000
July 14, 2025	3,961,667	0.09	3,961,667
December 7, 2025	1,500,000	0.08	1,000,000
April 8, 2026	5,038,571	0.12	4,466,349
October 31, 2027	4,900,000	0.05	4,900,000
	18,350,363		**17,278,141**

b) *Warrants*

The continuity of the Company's warrants is as follows:

	Brokers' RTO Warrants, Secondary Warrants	Debenture Warrants	Dream Water Warrants	Jonathan Carroll Warrants(i)	Hygrovest * Warrants	Bought Deal Warrants	Total number outstanding	Weighted average exercise price
							#	$
Outstanding at June 30, 2021	100,002	-	-	-	17,083,333	37,096,700	54,280,035	0.15
Issued	-	-	-	300,000	-	-	300,000	0.09
Expired	(100,002)				(17,083,333)		(17,183,335)	0.07
Outstanding at June 30, 2022	-	-	-	300,000	-	37,096,700	37,396,700	0.19
Outstanding at December 31, 2022	**-**	**-**	**-**	**300,000**	**-**	**37,096,700**	**37,396,700**	**0.19**

*MMJ Group Holdings Limited changed the company name to Hygrovest Limited on December 22, 2021.

(i) Jonathan Carroll Warrants

On July 26, 2021, the Company announced that it engaged an arm's length service provider, Jonathan Carroll (the "Consultant") to provide strategic advisory and consulting services to the Company (the "Consulting Services") for a 24-month period. As partial consideration for the Consulting Services, the Company agreed to grant an aggregate of 1,500,000 common share purchase warrants (the "Consultant Warrants") to the Consultant in accordance with the provisions of the consulting agreement. On September 27, 2021, the Company issued 300,000 Consultant Warrants. Each Consultant Warrant will entitle the holder to purchase one common share at a price of $0.09 per share with an expiry date of September 27, 2023. The fair value of the Consultant Warrants in the amount of $16 was estimated using the following assumptions:

Risk-free interest rate	0.50%
Expected life of warrants (years)	1.99
Expected annualized volatility	149.13%
Expected dividend yield	Nil

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

12. Other reserves (continued)

The Company's outstanding warrants as of December 31, 2022 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
	#	#	$	
Bought Deal Warrants	37,096,700	37,096,700	0.20	Mar 17, 2024
Jonathan Carroll Warrants	300,000	300,000	0.09	Sept 27, 2023
	37,396,700	**37,396,700**		

13. Related parties

The summary of the Company's related party transactions During the three and six months ended December 31, 2022 and 2021 is as follows:

a) *Compensation of key management personnel*

Key management personnel ("KMP") include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The KMP of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to KMP is as follows:

	Three months ended December 31		**Six months ended December 31**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Salaries and benefits	**161**	161	**322**	322
Directors' fees	**60**	60	**120**	120
Share-based compensation	**49**	58	**71**	158
Total	**270**	279	**513**	600

b) *Payments to related parties*

As at December 31, 2022, there was $320 directors' fees (June 30, 2022 – $220) included in accounts payable and accrued liabilities.

14. Revenue and other geographical information

The Company generates net revenue from two geographical locations:

	Three months ended December 31		**Six months ended December 31**	
Net revenue	**2022**	2021	**2022**	2021
	$	$	**$**	$
Canada	**921**	775	**1,809**	1,797
US	**1,471**	971	**2,312**	2,079
Total	**2,392**	1,746	**4,121**	3,876

Net revenues in each geographical location relate to the sale of the following:

- Canada – Dream Water liquid sleep shots and sleep powder packets, and LivRelief™ pain relief creams
- US – Dream Water liquid sleep shots and sleep powder packets

The Company's non-current assets are all in Canada.

15. Assets held for sale

The Company had the Lucky Lake Facility under construction in progress, which mainly related to the construction of a 68,000 square foot indoor flowering facility in Saskatchewan. The Company suspended active development of the facility since the beginning of the Company's strategic review of alternatives in February 2020 (the "Strategic Review") and classified it as assets held for sale in the amount of $2,341 as of June 30, 2022. In December 2022, the Company sold and transferred the title of the facility to a third party in Saskatchewan for total aggregate consideration of $3,000. During the three and six months ended December 31, the gain on the disposal of the facility was $613 after the direct legal fee of $16 and other professional fee of $30. Total net proceeds from the sales was $2,954.

16. Commitments and contingencies

During the year ended June 30, 2020, United Greeneries Operations, a subsidiary of the Company, was named as the defendant in a civil claim (the "Claim") filed in the Supreme Court of British Columbia in respect of the termination of the lease agreement for land and property in Aldergrove, British Columbia in August 2018. The plaintiff filed a summary trial motion in March 2020 in which it seeks an order for damages for breach of the lease agreement plus court costs and statutory pre-judgment interest. In June 2020, United Greeneries Operations filed a response in defense of the Claim and filed its own summary trial motion. Management's assessment as of June 30, 2021, based on its interpretation of the agreement and independent legal advice, was that the plaintiff may be partly successful with the Claim up to $250 , subject to a set-off claim by United Greeneries Operations against the plaintiff seeking the return of a $70 deposit paid in accordance with the terms of the lease and possession of certain security and electronic equipment held by the plaintiff. The Company has accrued $250 as at June 30, 2021. In November 2021, the two parties reached an agreement to settle the entire claim in the amount of $35, which resulted in a $215 gain as a reduction in the Company's liabilities.

On March 19, 2022, Kadco Electric Inc. (the "Contractor"), a contractor of the Company's previous cannabis business of United Greeneries Operations LTD & United Greeneries Holdings LTD. issued a statement of claim against the Company claiming, among other things, breach of trust and unjust enrichment related to unpaid debt of $163. On July 25, 2022, the Company issued a statement of defense and counterclaim of $161 against the Contractor claiming, among other things, the Company had overpaid based for services rendered based on the life to date percentage of completion of the project conducted by the Contractor. In December 2022, the Company reached an agreement with Kadco to settle the claim by paying $75 resulting in recognizing an accounting gain of $65.

On July 19, 2022, Jonathan Carroll (the "Consultant") issued a statement of claim against the Company claiming, among other things, damages for breach of contract and exemplary damages of $134 and an order for the delivery of the balance of the unissued Consultant Warrants of 1,200,000 units. The Company did not accrue for such claims. On September 14, 2022, the Company issued a statement of defense and counterclaim of $200 against the Consultant claiming, among other things, damages for negligent misrepresentation, breach of contract and breach of its duty of good faith and honest performance of its contractual obligations. On October 21, 2022, the Consultant issued a reply and defense to the counter-claim. The Company believes the claim made by the Consultant against the Company lacks merit and intends to vigorously defend this matter.

17. Financial instruments and risk

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2022, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

17. Financial instruments and risk (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at December 31, 2022, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

As at December 31, 2022, the Company's aging of receivables was approximately as follows:

	December 31 2022	June 30 2022
	$	$
0 – 60 days	**1,524**	1,242
Over 60 days	**23**	135
	1,547	1,377

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2022, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of $8,770 and current liabilities of $6,533. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

During the three and six months period ended December 31, 2022, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument.

The Company's other financial instruments, including accounts receivable, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.