Harvest One Cannabis Inc.

Consolidated Financial Statements

For the years ended June 30, 2021 and 2020
(in Canadian dollars)

Harvest One Cannabis Inc.

Table of contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Harvest One Cannabis Inc.

Opinion

We have audited the accompanying consolidated financial statements of Harvest One Cannabis Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a consolidated net loss of $28,538,000 during the year ended June 30, 2021 and had an accumulated deficit of $162,845,000 as at June 30, 2021. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

We draw attention to Note 19 to the consolidated financial statements, which explains that certain comparative information presented for the year ended June 30, 2020 has been reclassified to conform with the presentation requirements of IFRS 5, non-current assets held for sale and discontinued operations

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1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alyson Neil.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

October 28, 2021

Harvest One Cannabis Inc.

Consolidated statements of financial position

As at June 30, 2021 and 2020

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

	Note	**June 30 2021**	June 30 2020
		$	$
Assets			
Current assets			
Cash		**4,431**	1,406
Short term investments	9	**711**	—
Accounts receivable	3	**2,020**	1,671
Lease receivable		**116**	100
Inventories	4	**2,279**	9,288
Prepaid expenses and deposits		**278**	898
Assets held for sale	9	—	15,050
		9,835	28,413
Lease receivable		**288**	404
Property, plant and equipment	5	**2,908**	16,392
Intangible assets	6	**6,032**	12,635
Total assets		**19,063**	57,844
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**6,924**	14,551
Loans and lease liabilities	11	**312**	3,893
Liabilities associated with assets held for sale	9	—	750
		7,236	19,194
Loans and lease liabilities	11	**1,850**	2,080
Total liabilities		**9,086**	21,274
Equity			
Share capital	13	**148,226**	146,203
Other reserves	14	**24,882**	21,800
Accumulated other comprehensive loss		**(286)**	(179)
Accumulated deficit		**(162,845)**	(134,307)
Equity attributable to Harvest One shareholders		**9,977**	33,517
Non-controlling interest	8	—	3,053
Total equity		**9,977**	36,570
Total liabilities and equity		**19,063**	57,844

Going concern (note 2(c))
Commitments and contingencies (note 17)
Subsequent event (note 23)

"Jason Bednar"
Jason Bednar, Director

"Gord Davey"
Gord Davey, Director

Harvest One Cannabis Inc.

Consolidated statements of loss and comprehensive loss

For the years ended June 30, 2021 and 2020

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

		For the year ended June 30	
	Note	**2021**	2020
		$	$
Revenue		**8,107**	7,805
Excise taxes		**151**	23
Net revenue	18	**7,956**	7,782
Inventory expensed to cost of sales		**5,048**	6,258
Inventory write-down		**989**	800
Gross (loss) profit		**1,919**	724
Expenses			
General and administration	12	**7,308**	10,396
Sales and marketing		**1,006**	1,479
Acquisition costs		**—**	23
Research and development		**72**	179
Depreciation and amortization	5, 6	**2,216**	2,340
Share-based compensation	14(a)	**577**	2,022
Severance and reorganization costs	15(c)	**587**	394
Asset impairment and write-downs	5(a)	**12,112**	41,123
		23,878	57,956
Loss from operations		**(21,959)**	(57,232)
Other (expense) income			
Loss on disposal of assets		**(243)**	(488)
Interest and finance costs		**41**	(799)
Gain from extinguishment/forgiveness of debt		**89**	—
Earnings (loss) on investment in associate		**—**	(195)
Unrealized loss/gain	9	**(603)**	—
Foreign exchange (loss) gain		**3**	(21)
		(713)	(1,503)
Net loss from continuing operations		**(22,672)**	(58,735)
Loss from discontinued operation	19	**(5,866)**	(22,658)
Net loss		**(28,538)**	(81,393)
Other comprehensive loss – Items that may be reclassified to profit and loss:			
Foreign currency translation		**(107)**	(40)
Comprehensive loss		**(28,645)**	(81,433)
Net loss attributable to:			
Harvest One Cannabis Inc.		**(28,538)**	(79,857)
Non-controlling interests	8	**—**	(1,536)
Comprehensive loss attributable to:			
Harvest One Cannabis Inc.		**(28,645)**	(79,897)
Non-controlling interests	8	**—**	(1,536)
Net loss per share – basic and diluted		**(0.13)**	(0.37)
Weighted average number of outstanding common shares		**225,961,186**	214,642,221

Harvest One Cannabis Inc.

Consolidated statements of changes in equity
For the years ended June 30, 2021 and 2020
(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, July 1, 2019		185,819,851	125,093	18,042	(139)	(54,450)	4,589	93,135
Common shares issued for services		987,013	471	—	—	—	—	471
Common shares issued for acquisition	7	28,272,622	20,639	—	—	—	—	20,639
Options and warrants issued for acquisition	7, 14	—	—	1,255	—	—	—	1,255
Warrants issued	14	—	—	481	—	—	—	481
Share-based compensation	14	—	—	2,022	—	—	—	2,022
Foreign currency translation		—	—	—	(40)	—	—	(40)
Net loss		—	—	—	—	(79,857)	(1,536)	(81,393)
Balance, June 30, 2020		**215,079,486**	**146,203**	**21,800**	**(179)**	**(134,307)**	**3,053**	**36,570**
Balance, July 1, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Share-based compensation		—	—	577	—	—	—	577
Options exercised	14(a)	441,668	62	(24)	—	—	—	38
Units issued	13(b), 14(b)	37,096,700	3,442	2,308	—	—	—	5,750
Units issued - issuance costs	14	—	(1,481)	221	—	—	—	(1,260)
Foreign currency translation		—	—	—	(107)	—	—	(107)
Change in ownership interests in subsidiaries		—	—	—	—	—	(3,053)	(3,053)
Net loss		—	—	—	—	(28,538)	—	(28,538)
Balance, June 30, 2021		**252,617,854**	**148,226**	**24,882**	**(286)**	**(162,845)**	**—**	**9,977**

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

Harvest One Cannabis Inc.

Consolidated statements of cash flows

For the years ended June 30, 2021 and 2020

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

	Note	For the year ended June 30 2021	2020
		$	$
Operating activities			
Net loss		**(28,538)**	(81,393)
Adjustments to reconcile non-cash items			
Depreciation and amortization		**2,658**	3,073
Asset impairment and write-downs	5	**12,112**	41,123
Impairment loss on remeasurement of disposal group	19	**1,930**	10,167
Inventory write-down	4	**2,952**	7,377
(Gain)Loss on disposal of assets		**(659)**	1,318
Unrealized loss on fair valuation of investment		**603**	
Share-based compensation	14	**577**	2,022
Issuance of common shares for services		**—**	471
Issuance of warrants		**—**	481
Interest and accretion on loans and borrowings	11	**271**	233
Loss (earnings) from investment in associate		**—**	195
Unrealized change in fair value of biological assets	19	**—**	(4,208)
Realized fair value amounts included in inventory sold	19	**693**	3,240
Fair value adjustment in inventory expensed to cost of sales		**—**	1,409
Changes in working capital			
Cash reclassed as asset held for sale		**(18)**	(88)
Accounts and lease receivable	3	**1,118**	2,025
Inventories		**2,270**	(6,365)
Prepaid expenses and deposits		**422**	586
Accounts payable and accrued liabilities		**(6,038)**	(25)
Net cash used in operating activities		**(9,647)**	(18,359)
Investing activities			
Purchase of property, plant and equipment	5	**(33)**	(6,293)
Proceeds from sale of assets held for sale	9	**11,250**	—
Proceeds from sale of property, plant and equipment		**25**	1,320
Proceeds from sale short term investment	9	**1,027**	—
Proceeds from sale of intangibles		**—**	10
Purchase of intangible assets		**—**	(22)
Proceeds from sale of investment in associate	8	**—**	1,513
Investment in and loan to associate		**—**	(250)
Acquisition of businesses, net of cash acquired		**—**	86
Net cash used in investing activities		**12,269**	(3,636)
Financing activities			
Bought deal units issued		**4,490**	—
Stock options exercised		**38**	—
Proceeds from loans and borrowings	11(a)	**—**	3,500
Repayment of loans and borrowings	11	**(4,082)**	(334)
Net cash provided by financing activities		**446**	3,166
Effect of foreign exchange on cash		**(43)**	(66)
Change in cash during the year		**3,025**	(18,895)
Cash, beginning of the year		**1,406**	20,301
Cash, end of the year		**4,431**	1,406

Supplemental cash flow information (note 16)

1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One”) is a publicly traded corporation, incorporated in Canada, with its head office located at 404 – 999 Canada Place, Vancouver, BC, V6C 3E2. Harvest One’s common shares are listed on the TSX Venture Exchange under the symbol "HVT” and on the OTCQX® Best Market operated by OTC Market Group (“OTCQX”) under the symbol “HRVOF”.

These consolidated financial statements as at and for the years ended June 30, 2021 and 2020 include Harvest One and its subsidiaries (together referred to as “the Company”).

The principal activities of the Company are to provide innovative lifestyle 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”), which comprise the Company’s consumer segment. The Company’s cultivation as well as medical and nutraceutical segments were sold during the year ended June 30, 2021 (see note 9). Both segments are presented within discontinued operations during the years ended June 30, 2021 and 2020 (see note 19).

2. Significant accounting policies

a) *Basis of presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these consolidated financial statements..

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 28, 2021.

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. The Company’s total net revenue from continuing operations have increased by an average of 2% since the last fiscal year. The production and sale of cannabis have been recognized as essential services across Canada and Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company’s consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things impairment of long-lived assets including property, plant and equipment and intangible assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

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. The COVID-19 pandemic presents several unpredictable variables on the economy and the markets within which the Company operates, making it difficult to accurately forecast upcoming results. In spite of this, the Company’s core focus will be monitoring the development of COVID-19 to focus its resources on navigating and adapting to the situation as it unfolds. 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 consolidated 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.

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

2. Significant accounting policies (continued)

c) *Basis of accounting – going concern (continued)*

The Company had a consolidated net loss of $28,538 and negative operating cash flows of $9,647 for the year ended June 30, 2021 and an accumulated deficit of $162,845 as at June 30, 2021. 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.

d) *Basis of measurement*

These consolidated 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. These consolidated financial statements have been prepared using the accrual method except for cash flow information.

e) Basis of consolidation

These consolidated 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. During the fiscal year, the Company completed the sale of Satipharm and its subsidiaries, Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities"), Greenbelt Greenhouse Ltd and United Greeneries Ltd. (the "United Greeneries"). The table below lists the Company's remaining subsidiaries as at June 30, 2021 and the ownership interests in each:

Subsidiary	**Jurisdiction**	**% ownership**	**Accounting method**
United Greeneries Holdings Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation
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

f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Non-controlling interest in the acquiree is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired, is recorded as goodwill.

2. Significant accounting policies (continued)

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively during the measurement period. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

Asset acquisitions

Acquisitions which do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid is allocated to the identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Investment in associate

As associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company accounts for its investment in associate using the equity method.

Under the equity method, the Company's investment in associate is initially recognized at cost, including transaction costs, and subsequently increased or decreased to recognize the Company's share of net earnings or losses of the associate after any adjustments necessary to give effect to uniform accounting policies and for impairment losses after the initial recognition date. The Company's share of earnings or losses of the associate are recognized in net loss during the period. Unrealized gains and losses on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

The Company assesses if there are any indicators of impairment of the carrying amount of the investment on an annual basis during the fourth quarter. An impairment test is performed when there is objective evidence of impairment, such as significant adverse changes in the external environment in which the associate operates or a significant or prolonged decline in the fair value of the investment below its carrying amount. An impairment loss is recorded when the recoverable amount becomes lower than the carrying amount.

g) *Foreign currency translation*

The presentation and functional currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions are translated into the individual entity's functional currency at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the individual entity at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated in Canadian dollars at year-end exchange rates while income and expenses, and cash flows are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in equity

h) *Biological assets*

The Company's biological assets consist of cannabis plants and seeds. The Company measures the biological assets in accordance with IAS 41 - *Agriculture* at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Fair value is determined based on expected future cash flows of the in-process biological assets less costs to complete. Costs to sell include post-harvest production, shipping, and fulfillment costs. Unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the results of operations of the related year. Seeds are measured at cost which approximates fair value. The Company did not have any biological assets as at June 30, 2021.

2. Significant accounting policies (continued)

i) Inventories

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value.

Inventories of purchased product are valued at the lower of cost and net realizable value and weighted average is the costing method employed.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

j) *Property, plant and equipment*

Property, plant and equipment is measured at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the asset's useful life commencing from the time the asset is available for use. The depreciation rates used for each class of depreciable asset are:

Office equipment	3 – 5 years
Plant and equipment	3 – 25 years
Building and leasehold improvements	23 – 40 years

An asset's residual value and useful life are reviewed during each financial year and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in the consolidated statement of loss and comprehensive loss.

Construction in progress is transferred to the appropriate category of property, plant and equipment when available for use and depreciation of the asset commences at that point.

k) *Finite-life and indefinite-life intangible assets*

Intangible assets with a finite life are recorded at cost less accumulated amortization. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives:

Technology and formulations	3 years
Website	5 years
Brand names	6 years
Customer relationships	7 years

The estimated useful life and amortization method are reviewed during each financial year and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are comprised of in-process R&D which are carried at cost. In-process R&D is not yet available for use and is not subject to amortization.

l) *Goodwill*

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash-generating unit ("CGU") to which it relates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2. Significant accounting policies (continued)

m) *Impairment of long-lived assets*

Long-lived assets, including property, plant and equipment and intangible assets are evaluated to determine whether there is any indication that these assets are impaired at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

n) *Discontinued operations*

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative year.

o) *Assets held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

p) *Share capital*

The Company's common shares are classified as equity instruments. Incremental costs directly related to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant using the relative fair value method.

2. Significant accounting policies (continued)

q) *Revenue recognition*

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, with an element of variable consideration for sales allowances to account for the potential return of goods. Net revenue as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable taxes, expected price discounts, and allowances for customer returns.

Gross revenue from continuing and discontinued operations includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

Where the excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from sale of goods, as presented on the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes. As excise tax payable/paid to CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.

The Company's contracts with customers for the sales of infused cannabis, liquid sleep shots and sleep powder packets and CBD Gelpell® microsphere capsules ("CBD Gelpell® capsules") consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when the Company satisfies its performance obligation upon delivery to the customer.

r) *Loss per share*

Basic loss per share is calculated by dividing net loss by the weighted average number of outstanding common shares during the year. Diluted loss per share is calculated similarly but includes potential dilution from the exercise of warrants and stock options, except when the effect would be anti-dilutive.

s) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current and deferred income tax are recognized in the consolidated statements of operations and comprehensive loss except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

t) *Share-based compensation*

The Company may grant stock options of the Company to allow directors, officers, employees and consultants to acquire common shares of the Company. Stock options granted to directors, officers and employees are measured at their fair values determined on the date of grant using the Black-Scholes option pricing model and recognized as an expense over the vesting periods of the options. Options granted to non-employees are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of the goods or services received cannot be measured. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from other reserves to share capital.

2. Significant accounting policies (continued)

u) *Financial instruments*

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	Fair value through profit or loss
Short term investments	Fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

Financial assets

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss or amortized cost. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Accounts receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition accounts receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or amortized cost. Financial liabilities at fair value are stated at fair value with changes being recognized in the consolidated statement of loss and comprehensive loss. Financial liabilities at amortized cost are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

2. Significant accounting policies (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

v) *Leases*

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use ("ROU") of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding right-of-use assets are measured at the amount equal to the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

As Lessor

Leases for which the Company is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

w) *Critical accounting estimates and judgments*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Inventory

Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business and the estimated variable costs to sell. Determining cost requires the Company to make estimates surrounding capacity and to allocate both direct and indirect costs on a systematic basis.

Impairment of long-lived assets

The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less

2. Significant accounting policies (continued)

costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of the useful lives and when the asset is available for use is dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements..

Share-based compensation

In calculating share-based compensation expense, the Company includes key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's share price, and the risk-free interest rate.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – *Business Combinations*, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Goodwill and intangibles impairment

The Company performs an annual impairment test for goodwill and indefinite life intangible assets in the fourth quarter and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit.

For the purpose of impairment testing, goodwill and indefinite life intangible assets are allocated to CGUs representing the lowest level that the assets are monitored for internal reporting purpose. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses estimates and assumptions, including actual operating results, future business plans, economic projections and market data.

Income taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted

2. Significant accounting policies (continued)

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2020.

Definition of A Business (Amendments to IFRS 3)

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3 Business Combination) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Company adopted the standard effective July 1, 2020 with no impact on the preparation of the consolidated financial statements.

Future changes in accounting policies:

The following standards are not yet effective for the year ending June 30, 2021, and have not been applied in the preparation of the consolidated financial statements:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

settlement of a liability includes transferring a company's own equity instruments to the counterparty, and

when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The adoption of this new standard is not expected to have any impact on the amounts recognized in the Company's consolidated financial statements.

(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:

	June 30 2021	June 30 2020
	$	$
Trade receivables	**1,256**	1,339
Other receivables	**731**	—
Taxes recoverable from governments	**33**	332
	2,020	1,671

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. During the year, the Company wrote-down its trade receivables by $403 (2020 – $nil). At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

Recognized within other receivables, is $731 of consideration relating to the sale of the Company's wholly owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities"), to be received when certain conditions have been met (note 9) and was collected subsequent to June 30, 2021 (Note 23)

4. Inventories

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

	June 30 2021	June 30 2020
	$	$
Cannabis		
Raw materials and work-in-progress	**2,017**	3,698
Finished goods	**220**	1,005
	2,237	4,703
CBD capsules and oils		
Raw materials and work-in-progress	—	313
Finished goods	—	2,353
	—	2,666
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	**101**	23
Finished goods	**579**	1,619
	680	1,642
Pain relief creams		
Raw materials and work-in-progress	**624**	612
Finished goods	**254**	275
	878	887
Packaging and supplies	**229**	840
Inventory allowance	**(1,745)**	(1,450)
	2,279	9,288

a) Cannabis

As part of the sale of the United Greeneries Ltd., certain cannabis inventory was classified from inventory to assets held for sale as at June 30, 2020. Cannabis inventory on hand at June 30, 2021 and 2020 pertains to harvested cannabis and extracted cannabis for use in the development and sale of Cannabis 2.0 products.

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

4. Inventories (continued)

b) *Inventory allowance*

Due to estimation uncertainties attributable to COVID-19 and 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, during the year ended June 30, 2021, the Company recognized an inventory valuation allowance of $1,745 (2020 – $1,450). During the year ended June 30, 2021, the Company recognized a write-down total of $989 (2020 - $800) of cannabis inventory, packaging and supplies to reduce the carrying amount to its estimated net realizable value.

5. Property, plant and equipment

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

	Plant and equipment	Office equipment	Building and leasehold improvements	Land	Construction in progress	Right-of-use assets	Total
	$	$	$	$	$	$	$
Cost							
July 1, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Additions	609	50	127	—	8,355	954	10,095
Additions from Delivra acquisition (note 7)	481	—	—	—	—	—	481
Transfers to assets held for sale	(2,469)	(81)	(7,153)	(892)	(2,952)	(137)	(13,684)
Disposals and write-downs	(2,165)	(117)	(4,854)	(964)	(3,547)	(663)	(12,310)
June 30, 2020	1,026	387	—	—	15,202	154	16,769
Accumulated depreciation							
July 1, 2019	495	211	356	—	—	—	1,062
Depreciation	340	139	270	—	—	188	937
Transfers to assets held for sale	(291)	(50)	(341)	—	—	(18)	(700)
Disposals and write-downs	(467)	(80)	(285)	—	—	(90)	(922)
June 30, 2020	77	220	—	—	—	80	377
Net book value							
June 30, 2020	949	167	—	—	15,202	74	16,392
Cost							
July 1, 2020	1,026	387	—	—	15,202	154	16,769
Additions	—	7	—	—	21	—	28
Transfers to assets held for sale (note 9)	(546)	(27)	—	—	—	—	(573)
Disposals and write-downs	—	(25)	—	—	(12,112)	—	(12,137)
Recovery of costs	—	—	—	—	(600)	—	(600)
June 30, 2021	480	342	—	—	2,511	154	3,487
Accumulated depreciation							
July 1, 2020	77	220	—	—	—	80	377
Depreciation	76	81	—	—	—	62	219
Transfers to assets held for sale (note 9)	—	(16)	—	—	—	—	(16)
Disposals and write-downs	—	(1)	—	—	—	—	(1)
June 30, 2021	153	284	—	—	—	142	579
Net book value							
June 30, 2021	**327**	**58**	**—**	**—**	**2,511**	**12**	**2,908**

5. Property, plant and equipment (continued)

Of total depreciation of $219 (2020 – $937) recorded during the year ended June 30, 2021, $213 and $6 (2020 – $350 and $224) was recorded as depreciation expense from continuing operations and discontinued operations, respectively.

In addition, $nil (2020 – $363) was capitalized to cannabis inventory and subsequently recognized as production costs.

a) *Construction in progress*

Construction in progress relates to the construction of a 68,000 square foot indoor flowering facility at the Lucky Lake property in Saskatchewan. The amounts capitalized to construction in progress related to these projects will be transferred to other classes of property, plant and equipment upon completion and will be depreciated over their respective useful lives once available for use. The Company has suspended active development of its Lucky Lake facility since the beginning of the Strategic Review (as defined in Note 9) in February 2020 and continues to evaluate all strategic alternatives and potential sales of additional non-essential assets, including its Lucky Lake facility.

Management recognized the continued suspension of active development of the Lucky Lake facility as an indicator of impairment. During the year ended June 30, 2021, the Company recognized an impairment loss of $12,112, on construction in progress based on the market value of comparable facilities and third party offers for purchase.

In addition to the above, the Company recovered costs capitalized to construction in progress and de-recognized $600 of capitalized costs which were included in accounts payable.

b) *Right-of-use assets*

The Company adopted IFRS 16 – Leases effective July 1, 2019. During the year ended June 30, 2021, the Company recognized $nil (2020 – $954) right-of-use asset additions. As at June 30, 2021, all right-of-use assets pertain to building and leasehold improvements.

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

6. Intangible assets

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

	Brand names	Technology and formulations	In-process R&D	Customer relationships	Website and other	Total
	$	$	$	$	$	$
Cost						
July 1, 2019	4,190	—	4,659	1,540	206	10,595
Additions	—	—	—	—	22	22
Additions from Delivra acquisition (note 7)	1,853	2,286	470	—	—	4,609
Transfer to technology and formulations	—	4,659	(4,659)	—	—	—
Disposals and write-downs	—	(132)	—	—	(90)	(222)
June 30, 2020	6,043	6,813	470	1,540	138	15,004
Accumulated amortization						
July 1, 2019	—	—	—	239	22	261
Amortization	1,007	892	—	220	17	2,136
Disposals and write-downs	—	(28)	—	—	—	(28)
June 30, 2020	1,007	864	—	459	39	2,369
Net book value						
June 30, 2020	5,036	5,949	470	1,081	99	12,635
Cost						
July 1, 2020	6,043	6,813	470	1,540	138	15,004
Transfers to assets held for sale (note 9)	—	(2,729)	—	—	—	(2,729)
Disposals and write-downs (note 9)	—	(1,930)	(72)	—	(15)	(2,017)
June 30, 2021	6,043	2,154	398	1,540	123	10,258
Accumulated amortization						
July 1, 2020	1,007	864	—	459	39	2,369
Amortization	1,007	1,181	—	220	31	2,439
Transfers to assets held for sale (note 9)	—	(582)	—	—	—	(582)
June 30, 2021	2,014	1,463	—	679	70	4,226
Net book value						
June 30, 2021	**4,029**	**691**	**398**	**861**	**53**	**6,032**

Of total amortization of $2,439 (2020 – $2,136) recorded during the year ended June 30, 2021, $2,003 (2020 – $1,990) was recorded as amortization expense from continuing operations, and $436 (2020 – $146) was recorded as amortization expense from discontinued operations.

The remaining useful lives of intangible assets is as follows:

Brand names: Approximately 4 years after June 30, 2021

Technology and formulations: Approximately 2 years after June 30, 2021

Customer relationships: Approximately 4 years after June 30, 2021

Website and others: Approximately 2 years after June 30, 2021

a) *Disposals and write-downs*

On February 16, 2021, the Company announced a transaction sell all of the issued and outstanding shares of the Satipharm Entities. As a result, an impairment loss of $1,930 was recognized on intangible assets upon remeasurement (note 19) and $2,147 of intangible assets was classified as assets held for sale (note 9).

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

7. Business combinations

The summary of the Company's asset acquisition and business combination completed during the year ended June 30, 2020 is as follows:

Acquisition completed during the year ended June 30, 2020	Delivra
	$
Consideration transferred	
Common shares issued	20,639
Options and warrants issued	1,255
	21,894
Purchase price allocation	
Net assets acquired	(2,221)
Intangible assets	
Technology and formulations	2,286
Brand name	1,853
In process R&D	470
Goodwill	19,506
	21,894
Net assets acquired	
Cash	86
Accounts receivables	334
Prepaid expenses and deposits	47
Inventories	2,650
Property, plant and equipment	481
Assets acquired	3,598
Accounts payable and accrued liabilities	(3,806)
Loans and borrowings	(2,013)
	(2,221)
Net cash inflows	
Cash consideration	—
Less: cash acquired	(86)
	(86)
Acquisition costs expensed	
Year ended June 30, 2020	23

On July 3, 2019, the Company completed the acquisition of all the outstanding shares of Delivra Corp. for a total consideration of $21,894, which consisted of 28,272,622 common shares with a fair value of $20,639; 2,907,918 options with a fair value of $920; and 2,191,502 warrants with a fair value of $335. The transaction was accounted for as a business combination in accordance with IFRS 3 – *Business Combinations*. In connection with the acquisition, the Company recognized $517 of acquisition costs during the year ended June 30, 2019.

Delivra is a Canadian company that manufactures and sells a range of natural topical pain relief creams for joint and muscle pain, nerve pain, varicose veins, and wound healing under the LivRelief™ brand. Harvest One acquired Delivra as a means to further its strategy of providing trusted, effective products to help people in their daily lives, as there are significant synergies between both organizations. The acquisition of Delivra and its LivRelief™ brand, which produces a variety of topicals and creams with existing distribution channels across Canada, positions Harvest One for the release of cannabis-infused products in Canada.

Goodwill arose from the acquisition as the consideration paid reflects: (1) the benefit of the acquired workforce, (2) synergies with the Company's consumer segment and (3) expected revenue growth. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. No amount of goodwill is expected to be deductible for tax purposes.

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

7. Business combinations (continued)

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

	June 30 2021	June 30 2020
	$	$
Balance, beginning of year	—	23,583
Additions (note 10)	—	19,506
Impairment of goodwill	—	(43,089)
Balance, end of year	—	—

At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that an asset may be impaired. As part of this assessment, the Company considers both external and internal sources of information, including the overall financial performance and relevant entity-specific factors. During the year ended June 30, 2020, the Company identified the following impairment indicators: (1) a decline in stock price resulting in the carrying amount of the Company's net assets exceeding the Company's market capitalization and (2) a delay in expected sales and profitability compared to management's initial forecasts primarily driven by slower than expected development of the cannabis market in Canada. Furthermore, the assumptions used by management to value goodwill arising from previous acquisitions have been revised due to rapidly evolving market conditions. As a result of these indicators, management performed impairment tests during the year ended June 30, 2021. For the purpose of the impairment tests, management assessed the Dream Water, Delivra, and Greenbelt as separate CGUs and as the lowest level at which management monitors goodwill.

During the years ended June 30, 2021, the Company recognized impairment charges of $nil (2020 - $41,123) in the consumer segment and $nil (2020 - $1,966) in discontinued operations (see note 20) to reduce the carrying value to the recoverable amount.

For the year ended June 30, 2020, Delivra contributed revenues of $2,954 and a net loss of $2,806 since the July 3, 2019 acquisition date.

8. Non-controlling interests

The continuity of Greenbelt's non-controlling interest is as follows:

Company's ownership interest (%)		50.1%
Balance, June 30, 2019	$	4,589
Share of loss for the year ended June 30, 2020		(1,536)
Balance, June 30, 2020		3,053
Share of loss for the period ended June 30, 2021		—
Sale of non-controlling interest in Greenbelt		(3,053)
Balance, June 30, 2021		—

	June 30 2021	June 30 2020
	$	$
Assets held for sale	—	6,721
Liabilities associated with assets held for sale	—	(621)
Net revenue	—	—
Net loss	—	—
Comprehensive loss	—	(3,078)

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

9. Assets held for sale

On February 12, 2020, the Company announced that its Board of Directors initiated a process to evaluate a range of strategic alternatives available to the Company (the "Strategic Review"). The Board of Directors appointed a special committee of independent directors to oversee the Strategic Review. As part of the Strategic Review, the Company committed to a plan to sell certain non-core assets primarily within the cultivation segment.

On August 26, 2020, the Company completed the sale of its United Greeneries' licensed cannabis cultivation and processing businesses (the "Duncan Transaction") located in Duncan, British Columbia to Costa LLP and 626875 B.C. Ltd. (together, the "Purchasers") for cash consideration of $8,200.

On October 15, 2020, the Company completed the completed the sale of its 50.1% majority interest in Greenbelt Greenhouse Ltd. for total cash consideration of $3,050 (the "Greenbelt Transaction").

On March 10, 2021, the Company completed the sale of all the issued and outstanding shares of its wholly-owned subsidiaries, Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (the "Satipharm Entities") to Cann Group Limited. ("Cann Group") for ordinary shares of the Cann Group representing total aggregate consideration of approximately $3,231. (the "Satipharm Transaction"). As at March 31, 2021, Harvest One has received $2,500 of Cann Group shares, with the remaining $731 to be received based on the following estimated milestones (received subsequent to June 30, 2021 (Note 23)):

(a) $725 to be received upon delivery of certain machinery, equipment and accessories to be manufactured or produced and delivered by Gelpell AG ("Gelpell") to Cann Group,
(b) $6 to be received as an earn-out payment upon meeting certain financial conditions related to net revenue milestone during the January 1, 2021 to June 30, 2021 period.

These amounts have been recognized in "short term investments" and "accounts receivable", respectively.

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

Balance, June 30, 2020	$	—
Additions		2,500
Disposal of shares, net of brokerage fees		(1,027)
Realized loss on disposal		(137)
Unrealized loss on changes in fair value		(603)
Unrealized loss on foreign exchange		(22)
Balance, June 30, 2021		**711**

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

9. Assets held for sale (continued)

The summary of the Company's assets held for sale and liabilities associated with assets held for sale is as follows:

	June 30 2021	June 30 2020
	$	$
Cash	—	88
Accounts receivable	—	7
Inventories	—	1,058
Biological assets	—	811
Prepaid expenses and deposits	—	102
Property, plant and equipment	—	12,984
Accounts payable and accrued liabilities	—	(432)
Loans and lease liabilities	—	(318)
	—	14,300

During the year ended June 30, 2021, the Company recognized a $1,930 (2020 – $10,167) impairment charge upon classifying these assets as held for sale based on the fair market value of the assets.

The summary of the Company's asset sales completed during the year ended June 30, 2021 is as follows:

	Total
	$
Consideration received	
Cash	14,300
Shares	3,231
Less: non-controlling interest	(3,050)
	14,481
Net assets held for sale	
Cash	106
Accounts receivables	108
Prepaid expenses and deposits	345
Inventories	2,909
Property, plant and equipment	13,541
Intangible assets	2,147
Accounts payable and accrued liabilities	(1,307)
Loans and lease liabilities	(318)
Net assets held for sale	17,531
Less: non-controlling interest	(3,050)
	14,481
Gain/loss on sale	
Cash	11,250
Shares	3,231
Less: net assets sold	(14,481)
	—

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

10. Accounts payable and accrued liabilities

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

	June 30 2021	June 30 2020
	$	$
Trade payables	**4,869**	10,745
Accrued liabilities	**1,189**	2,607
Payroll liabilities	**331**	342
Other payables	**535**	857
	6,924	14,551

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

11. Loans and lease liabilities

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

	Notes	**June 30 2021**	June 30 2020
		$	$
Secured and unsecured loans	(a)	**1,744**	3,249
Secured loan from related party	)	**—**	2,139
Lease liabilities	(c)	**418**	585
Total loans and lease liabilities		**2,162**	5,973
Current portion	(c)	**(312)**	(3,893)
Non-current portion		**1,850**	2,080

a) *Secured and unsecured loans*

In connection with the Delivra acquisition on July 3, 2019 (note 7), 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.

The summary of the secured and unsecured loans at June 30, 2021 is as follows:

	Effective Interest Rate	Maturity	Face Value	Balance, July 1, 2020	Accretion	Repayments	**Total**
			$	$	$	$	**$**
							—
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,054	3	—	**1,057**
ACOA 202454	16%	2023	85	56	2	(13)	**45**
ACOA 203110	16%	2024	197	127	6	(21)	**112**
ACOA 205145	16%	2021	37	17	—	(11)	**6**
ACOA 206091	16%	2023	76	51	1	(11)	**41**
ACOA 206924	16%	2026	117	71	2	(10)	**63**
ACOA 207593	16%	(i)	484	360	60	—	**420**
Finance PEI	9%	2020	47	13	—	(13)	**—**
Balance, June 30, 2021			3,903	1,749	74	(79)	**1,744**

(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, 2022 to August 31, 2023.

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

11. Loans and lease liabilities (continued)

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.

On June 25, 2020, the Company secured a $1,500 bridge financing facility (“Bridge Facility”) from Costa Canna Production Limited Liability Partnership (“Costa LLP”) to be repaid upon the closing of the sale of the Duncan Transaction (note 9). The Bridge Facility is secured by general security agreements over the Company’s, and its United Greeneries subsidiaries’, assets (the “Assets”), as well as guarantees provided by United Greeneries. On August 26, 2020, the Company repaid the Bridge Facility in full upon, totaling $1,500, the completion of the sale of the cultivation facilities located in Duncan (the “Duncan Facility”) and Mission Road (the “Mission Road Facility”) and the general security agreements were discharged.

Secured loan from related party

On January 10, 2020 (the “Issue Date”), the Company entered into a secured loan agreement with MMJ Group Holdings Limited (the “MMJ”) for a loan in the principal amount of $2,000 (the “Loan”), secured by all current and subsequently acquired property of the Company and certain property of its subsidiaries. The Loan bore interest at a rate of 15% per annum and the principal and accrued interest is payable in arrears within 60 days of the Issue Date. On March 10, 2020, MMJ agreed to extend the maturity date of the Loan to June 12, 2020, subject to earlier repayment in certain circumstances. The Company issued common share purchase warrants in consideration for the extension. These warrants were issued on April 3, 2020 and is described further in note 14(b). On August 26, 2020, the Company repaid the loan in full upon the completion of the sale of the Duncan Facility and Mission Road Facility and the general security agreements were discharged.

The continuity schedule of the bridge financing facility and secured loan agreement is as follows:

Balance, July 1, 2019	$	—
Addition of MMJ loan		2,000,000
Interest		139,726
Balance, June 30, 2020		2,139,726
Interest		50,959
Repayment of MMJ loan		(2,190,685)
Balance, June 30, 2021	$	—

b) Lease liabilities

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

Balance, July 1, 2019	$	1,122
Additions on acquisition of Delivra		72
Interest expense on lease liabilities		135
Lease payments		(363)
Transfer to liabilities associated with assets held for sale		(318)
Termination of lease liability		(63)
Balance, June 30, 2020		585
Interest expense on lease liabilities		71
Lease payments		(238)
Balance, June 30, 2021		418
Current portion		(130)
Non-current portion	$	**288**

During the years ended June 30, 2021 and 2020, the Company recorded $80 and $117 rent expense relating to short term leases.

c) At June 30, 2021, the Company has $182 of ACOA loan and $130 lease liabilities to be paid within one year.

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

12. General and administration expenses

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

	June 30 2021	June 30 2020
	$	$
Insurance	**434**	470
Investor relations	**89**	405
Office and general	**1,310**	666
Professional and consulting services	**2,140**	1,883
Regulatory	**31**	72
Rent	**81**	117
Salaries, bonus and benefits	**3,213**	6,361
Travel	**10**	422
	7,308	10,396

13. Share capital

a) *Authorized*

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

b) *Issued capital*

June 30, 2021:

During the year ended June 30, 2021, 441,668 stock options were exercised at an exercise price of $0.085 per share. In connection with the exercise of the stock options, the Company reclassified $24 from other reserves to share capital.

On March 17, 2021, the Company issued 37,096,700 units of the Company (the "Bought Deal Units") at a price of $0.155 per Bought Deal Unit. Each Bought Deal Unit consists of one common share of the Company and one common share purchase warrant (a "Bought Deal Warrant") (note 14). In connection with the issuance of the Bought Deal Units, the Company recognized $1,481 of share issuance costs against share capital, of which $1,260 was cash and $221 was in the form of options (a "Bought Deal Compensation Option") recorded to other reserves (note 14).

June 30, 2020:

During the year ended June 30, 2020, 28,272,622 common shares were issued in connection with the acquisition of Delivra Corp. (Note 7) at a value of $20,639.

During the year ended June 30, 2020, 987,013 common shares were issued for services at a value of $471.

At June 30, 2021, 252,617,854 common shares (June 30, 2020 – 215,079,486) were issued and fully paid.

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

14. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2019	7,710	9,517	815	18,042
Share-based compensation	2,022	—	—	2,022
Acquisition of Delivra (note 10)	920	335	—	1,255
Warrants issued	—	481	—	481
Balance, June 30, 2020	10,652	10,333	815	21,800
Share-based compensation	577	—	—	577
Options exercised	(24)	—	—	(24)
Units issued	—	2,308	—	2,308
Units issued - issuance costs	221	—	—	221
Balance, June 30, 2021	**11,426**	**12,641**	**815**	**24,882**

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, 2019	17,785,000	0.79
Granted	4,342,918	0.80
Expired	(3,712,683)	0.77
Forfeited	(7,831,922)	0.77
Outstanding at June 30, 2020	10,583,313	0.82
Granted	18,415,000	0.10
Exercised	(441,668)	0.09
Expired	(727,702)	1.00
Forfeited	(9,349,831)	0.42
Outstanding at June 30, 2021	**18,479,112**	**0.31**

During the years ended June 30, 2021 and 2020, the Company granted a total of 18,415,000 and 1,435,000 stock options, respectively, under the Plan to certain new directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price between $0.085 to $0.12 and between $0.17 to $0.56 for a period of five years following the grant date for the options granted in 2021 and 2020, respectively.

In connection with the Delivra acquisition on July 3, 2019 (note 7), the Company issued 2,907,918 replacement options to holders of Delivra options. Each stock option entitles the holder to purchase one common share at an exercise price between $0.59 to $1.26 for a period of one to five years following the grant date.

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

14. Other reserves (continued)

a) *Share-based awards (continued)*

(i) Stock options (continued)

The weighted average fair value per option granted for the year ended June 30, 2021 was $0.10 (2020 – $0.80). 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 during the year ended June 30, 2021 and 2020 by applying the following assumptions:

	June 30 2021	June 30 2020
Risk-free interest rate	**0.31% – 0.65%**	1.22% – 1.80%
Expected life of options (years)	**3.59**	0.6 – 4.3
Expected annualized volatility	**103.60% – 123.24%**	75.00% – 92.50%
Expected dividend yield	**Nil**	Nil

Volatility was estimated by using the historical prices of the Company's common shares. The expected life in years represents the period of time that the stock options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the stock option.

The number of options outstanding and exercisable under the Plan at June 30, 2021 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
October 3, 2021 [1]	92,969	1.26	92,969
December 19, 2021	434,350	1.26	434,350
April 27, 2022	1,350,000	0.75	1,350,000
January 24, 2023	877,625	0.76	877,625
May 28, 2023	150,000	0.84	150,000
September 18, 2023	700,000	0.91	466,667
October 12, 2023	297,500	0.61	297,500
April 22, 2024	920,000	0.85	630,001
June 17, 2024	150,000	0.68	100,000
July 31, 2024	300,000	0.56	183,334
September 4, 2024	50,000	0.52	27,778
July 14, 2025	5,661,668	0.09	2,315,005
December 7, 2025	1,500,000	0.08	—
April 8, 2026	5,995,000	0.12	2,572,778
	18,479,112		**9,498,007**

[1] Expired unexercised subsequent to June 30, 2021.

(ii) Compensation Options

In connection with the issuance of Bought Deal Units, on March 17, 2021, the Company granted the underwriters 2,596,769 non-transferable Bought Deal Compensation Options equal to 7.0% of the number of Bought Deal Units issued. Each Bought Deal Compensation Option will entitle the holder to acquire one Bought Deal Unit at a price of $0.155 per Bought Deal Unit at any time until March 17, 2024.

The fair value per Bought Deal Compensation Option was $0.085 and was estimated using the following assumptions:

Risk-free interest rate	0.51%
Expected life of warrants (years)	3.00
Expected annualized volatility	130.52%
Expected dividend yield	Nil

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

14. Other reserves (continued)

b) *Warrants*

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

	RTO Warrants	Brokers' RTO Warrants, Secondary Warrants	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Delivra Warrants	MMJ Warrants	Bought Deal Warrants (i)	Total number outstanding	Weighted average exercise price
									#	$
Outstanding at June 30, 2019	3,226,468	1,200,034	5,901,182	22,778,846	517,000	—	—	—	33,623,530	1.89
Issued	—	—	—	—	—	2,191,502	17,083,333	—	19,274,835	0.15
Expired	(3,226,468)	(600,032)	—	(22,778,846)	—	(2,191,502)	—	—	(28,796,848)	2.01
Outstanding at June 30, 2020	—	600,002	5,901,182	—	517,000	—	17,083,333	—	24,101,517	0.36
Issued	—	—	—	—	—	—	—	37,096,700	37,096,700	0.20
Expired	—	(500,000)	(5,901,182)	—	(517,000)	—	—	—	(6,918,182)	1.16
Outstanding at June 30, 2021	**—**	**100,002**	**—**	**—**	**—**	**—**	**17,083,333**	**37,096,700**	**54,280,035**	**0.15**

(i) Bought Deal Warrants

On March 17, 2021, the Company issued 37,096,700 Bought Deal Units at a price of $0.155 per Bought Deal Unit. Each Bought Deal Units Unit consists of one common share of the Company and one common share purchase warrant (a "Bought Deal Warrant"). Each Bought Deal Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.195 at any time until March 17, 2024.

The fair value of the Bought Deal Warrants was estimated at $2,308 using the relative fair value method and the following assumptions:

Risk-free interest rate	0.51%
Expected life of warrants (years)	3.00
Expected annualized volatility	130.52%
Expected dividend yield	Nil

(ii) Delivra Warrants

In connection with the Delivra acquisition on July 3, 2019 (note 7), the Company issued 2,191,502 replacement warrants to holders of Delivra warrants with an exercise price of $0.59 – $0.84 per warrant and which expire nine months from the date of issue. Upon exercise of the Delivra Warrants, the Company will issue one common share. The fair value of the Delivra Warrants was estimated using the following assumptions:

Risk-free interest rate	1.79%
Expected life of warrants (years)	0.76
Expected annualized volatility	75.00%
Expected dividend yield	Nil

(iii) MMJ Warrants

On April 3, 2020, the Company issued 17,083,333 common share purchase warrants (the "MMJ Warrants") to MMJ as consideration for extending the maturity date of its loan in the amount of $2,000 from March 10, 2020 to June 8, 2020. Each Warrant will entitle the holder to purchase one common share in the capital of the Company (each a "Common Share") at a price of $0.06 at any time until the earlier of: (i) the date of the further extension or renewal of the Loan; and (ii) April 3, 2022. In connection with the issuance of the MMJ Warrants, the Company recognized $481 of financing fees in interest and finance costs. The fair value of the MMJ Warrants was estimated using the following assumptions:

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

14. Other reserves (continued)

Risk-free interest rate	0.55%
Expected life of warrants (years)	2.07
Expected annualized volatility	85.74%
Expected dividend yield	Nil

The Company's outstanding warrants at June 30, 2021 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
	#	#	$	
Brokers' Secondary Warrants(	100,002	100,002	1.00	May 3, 2022
MMJ Warrants	17,083,333	17,083,333	0.06	Apr 3, 2022
Bought Deal Warrants	37,096,700	37,096,700	0.20	Mar 17, 2024
	54,280,035	**54,280,035**		

15. Related parties

The summary of the Company's related party transactions during the years ended June 30, 2021 and 2020 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:

b) *Payments to related parties*

	June 30 2021	June 30 2020
	$	$
Salaries and benefits	**1,018**	1,906
Severance costs	**450**	73
Consulting fees	**—**	—
Directors' fees	**227**	150
Share-based compensation	**427**	1,381
Total	**2,122**	3,510

As at June 30, 2021, there was $120 directors' fees (June 30, 2020 – $117) and $nil bonus payments (June 30, 2020 – $643) included in accounts payable and accrued liabilities.

c) *Severance payments*

During the year ended June 30, 2021, the Company paid $450 (June 30, *2020* – $73) to the former Chief Operating Officer and General Counsel and to the former Chief Administration Office and Chief People Officer in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs.

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

16. Supplemental cash flow information

Additional supplementary cash flow information for the nine months ended June 30, 2021 and 2020 is as follows:

	June 30 2021	June 30 2020
	$	$
Additions to property, plant and equipment included in in accounts payable	—	2,848
Additions to right of use assets	—	954
Forgiveness of loan to associate	—	256
Common shares issued for acquisitions (note 7)	—	20,639
Options and warrants issued for acquisitions (note 7)	—	1,255
Share consideration received for sale of the Satipharm Entities (note 9)	**2,500**	—
Bought deal unit issuance costs	**221**	—
Transfer of other reserves to share capital upon exercise of options	**24**	481
Interest paid	**261**	135

17. Commitments and contingencies

During the year ended June 30, 2020, United Greeneries Operations Ltd. (“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. On December 14, 2020, the defendant and plaintiff attended a summary judgement hearing in the BC Supreme Court, at which time the plaintiff advised of its intention to amend their pleadings and, as a result, the parties agreed to adjourn the then summary judgment hearing until such time as the plaintiff issued their amended pleadings and the hearing can be rescheduled. Management’s assessment, based on its interpretation of the agreement and independent legal advice, is 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, and it is possible that there will be a future cash outflow made by United Greeneries Operations. The Company has accrued $250 as at June 30, 2021.

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

18. Segmented information

The Company operates in two reportable segments: consumer (Dream Water and Delivra) and corporate, which is the way the Company reports information regarding segment performance, including net profit (loss), to its chief operating decision maker as at June 30, 2021.

The consumer segment includes the marketing, distribution, and product development of liquid sleep shots and sleep powder packets as well as pain relief creams throughout Canada and the US.

The segments for the years ended June 30, 2021 and 2020 are as follows:

	Year ended June 30, 2021			Year ended June 30, 2020		
	Consumer	**Corporate**	**Total**	Consumer	Corporate	Total
	$	**$**	**$**	$	$	$
Net revenue	**7,956**	—	**7,956**	7,782	—	7,782
Gross (loss) profit	**1,919**	—	**1,919**	724	—	724
Depreciation and amortization	**2,049**	**167**	**2,216**	2,039	301	2,340
Asset impairment and write-downs	—	**12,112**	**12,112**	41,123	—	41,123
Expenses	**17,116**	**6,762**	**23,878**	46,454	11,502	57,956
Total assets	**11,093**	**7,970**	**19,063**	26,991	30,853	57,844
Total Liabilities	**(4,156)**	**(4,930)**	**(9,086)**	(7,458)	(13,816)	(21,274)
Net loss from continuing operations	**(15,910)**	**(6,762)**	**(22,672)**	(47,233)	(11,502)	(58,735)

Net revenue for the year ended June 30, 2021 is comprised of sales of:

(1) $4,918 for the Dream Water brand (2020 – $4,828);

(2) $1,051 for the Delivra LivRelief brand (2020 – $1,587); and

(3) $1,987 for the LivRelief™ cannabis-infused topical creams in Canada (2020 – $1,367).

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

18. Segmented information (continued)

The Company generates net revenue from two geographical locations in the year ended June 30, 2021 and three geographical locations in the year ended June 30, 2020:

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

Net revenue	**June 30 2021**	June 30 2020
	$	$
Canada	**3,593**	3,579
US	**4,363**	4,203
Europe	—	—
Total	**7,956**	7,782

- 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 has the following non-current assets, other than financial instruments, in two geographic locations:

Non-current assets other than financial instruments	**June 30 2021**	June 30 2020
	$	$
Canada	**9,228**	24,918
Israel	—	4,513
Total	**9,228**	29,431

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

19. Discontinued operation

Following the Strategic Review announced in February 2020 (Note 9), the Company decided to divest certain components of its cultivation segment as well as its medical and nutraceutical segment. During the year ended June 30, 2021, such components were sold.

The medical and nutraceutical segments were not previously classified as held for sale or as a discontinued operation. The comparative consolidated statement of loss and comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

	Notes	**June 30 2021**	June 30 2020
		$	$
Net revenue		**1,400**	4,007
Cost of sales			
Production costs		**576**	2,652
Inventory expensed to cost of sales	(a)	**397**	1,773
Inventory write-down		**1,963**	6,577
Gross (loss) profit before fair value adjustments		**(1,536)**	(6,995)
Realized fair value amounts included in inventory sold	(a)	**693**	3,240
Unrealized change in fair value of biological assets		**8**	(4,208)
Gross (loss) profit		**(2,237)**	(6,027)
Expenses			
General and administration		**914**	4,315
Sales and marketing		**221**	1,112
Research and development		—	23
Depreciation and amortization		**442**	370
Severance and reorganization costs		—	4
Other (expense) income			
Loss on remeasurement of disposal group	(b)	**(1,930)**	(10,167)
Loss on disposal of assets	(c)	**153**	(830)
Interest and finance costs		**(314)**	199
Foreign exchange (loss) gain		**39**	(8)
Loss from discontinued operation		**(5,866)**	(22,657)
Net loss attributable to:			
Harvest One Cannabis Inc.		**(5,866)**	(21,121)
Non-controlling interests		—	(1,536)
Net loss per share – basic and diluted		**(0.03)**	(0.08)

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

19. Discontinued operation (continued)

a) *Cannabis inventory*

During the year ended June 30, 2021, cost of sales on cannabis inventory sold was $1,090 (2020 – $5,013), of which $693 (2020 – $3,240) related to realized fair value changes and $397 (2020 – $1,773) related to costs incurred to sell cannabis inventory. The Company regularly reviews its cannabis inventory for quality and freshness. During the year ended June 30, 2021, the Company recognized a write-down total of $1,963 (2020 - $6,577) of cannabis inventory, packaging and supplies to reduce the carrying amount to its estimated net realizable value.

a) *Loss on remeasurement of disposal group*

During the year ended June 30, 2021, the Company recognized a $1,930 loss in connection with the remeasurement of the disposal group and the loss was recognized as a write-down of its intangibles assets.

During the year ended June 30, 2020, the Company recognized a $10,167 loss in connection with the remeasurement of the disposal group. Of this, $1,966 was written off from goodwill, $8,758 was written off from property, plant and equipment, $90 was written off from intangible assets, and $647 was recovered from the derecognition of deferred tax liability.

c) *Loss on disposal of assets*

During the year ended June 30, 2020, the Company disposed of $2,051 from property, plant and equipment and $99 from prepaid expenses and deposits. The Company received $1,320 cash consideration in connection with these disposals and recognized a loss of $830 on the disposal of assets recorded in discontinued operations.

The breakdown of cash flows from discontinued operations is as follows:

	June 30 2021	June 30 2020
	$	$
Net cash used in operating activities	**(11,880)**	(7,243)
Net cash used in investing activities	**11,250**	5,608
Net cash used in financing activities	—	79
Effect of FX on cash	**368**	(415)
Change in cash during the year	**(262)**	(1,971)

20. 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 June 30, 2021, 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.

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 June 30, 2021, *the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.*

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

20. Financial instruments and risk (continued)

As at June 30, 2021, the Company's aging of receivables was approximately as follows:

	June 30 2021	June 30 2020
	$	$
0 – 60 days	**876**	1,090
61 – 120 days	**380**	249
	1,256	1,339

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. The Company's loans bear interest at fixed rates and as such 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 $9,835 and current liabilities of $7,236. 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.

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. As at June 30, 2021, the Company does not have a significant exposure to price risk as the Company does not possess financial instruments that are susceptible to a high degree of variability in the movements of equity or market prices.

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 year ended June 30, 2021, 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, 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 loans and borrowings approximate fair value as they bear a market rate of interest.

21. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2021.

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

22. Income Taxes

Income tax recovery differs from expected income tax recovery if the Canadian federal and provincial statutory income tax rates were applied to loss before taxes. The principal factors causing these differences are shown below:

	June 30 2021	June 30 2020
	$	$
Loss before income taxes	(28,538)	(81,393)
Statutory tax rates	27.0%	27.0%
Expected income tax recovery	(7,705)	(21,976)
Difference in foreign tax rates	(34)	575
Effect of change in tax rates	(53)	12
Effect of goodwill impairment	-	11,634
Effect of assets held for sale	(1,591)	647
Adjustment to prior year tax estimates	(2,727)	(1,397)
Non-deductible expenses	(1,789)	672
Change in unrecognized deferred tax assets	14,215	9,806
Other	(316)	27
Income tax recovery	—	—

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

	June 30 2020	Recovered through (charged to) earnings	**June 30 2021**
	$	$	**$**
Deferred tax assets			
Non-capital losses	19,986	6,262	**26,248**
Finance costs	1,128	(255)	**873**
Biological assets	—	1,662	**1,662**
Property, plant and equipment	200	3,780	**3,980**
Other	168	3,225	**3,393**
Total deferred tax assets	21,482	14,674	**36,156**
Deferred tax liabilities			
Inventories	—	—	—
Intangible assets	(693)	(451)	**(1,144)**
Property, plant and equipment	—	(8)	**(8)**
Total deferred tax liabilities	(693)	(459)	**(1,152)**
Net deferred tax assets (liabilities)	20,789	14,215	**35,004**
Deferred tax assets not recognized	(20,789)	(14,215)	**(35,004)**
Deferred tax liabilities	—	—	—

The Company has accumulated non-capital losses from various jurisdictions for the year ended June 30, 2021 for income tax purposes, which may be deducted in the calculation of taxable income in future years. The Canadian non-capital losses will be expiring between 2026 and 2041. The USA non-capital losses will be expiring between 2043 and 2046.

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

22. Income Taxes (continued)

	June 30 2021	June 30 2020
	$	$
Canada	**94,760**	65,556
USA	**3,281**	2,865
Total	**98,041**	68,421

23. Subsequent events

a) 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 will grant an aggregate of 1,500,000 warrants (the "Warrants") to purchase common shares of the Company (the "Common Shares") to the Consultant in accordance with the provisions of the consulting agreement. On September 27, 2021, the Company issued 300,000 warrants of the total grant of 1,500,000 warrants.

b) In September 2021, the Company received payment in shares for all amounts due from the Cann Group in relation to the Satipharm Transaction as described in Note 9.