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Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended December 31, 2021 and 2020

(in Canadian dollars)

Harvest One Cannabis Inc.

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Harvest One Cannabis Inc.

Notice to reader

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of financial position

As at December 31, 2021 and June 30, 2021

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

	Note	December 31 2021 \$	June 30 2021 \$
Assets			
Current assets			
Cash		2,230	4,431
Accounts receivable	3	1,262	2,020
Short term investments	4	601	711
Lease receivable		124	116
Inventories	5	2,520	2,279
Prepaid expenses and deposits		394	278
		7,131	9,835
Lease receivable		224	288
Property, plant and equipment	6	2,672	2,908
Intangible assets	7	5,061	6,032
Total assets		15,088	19,063
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	5,854	6,924
Loans and lease liabilities	9	446	312
		6,300	7,236
Loans and lease liabilities	9	1,648	1,850
Total liabilities		7,948	9,086
Equity			
Share capital	11	148,226	148,226
Other reserves	12	25,118	24,882
Accumulated other comprehensive loss		(276)	(286)
Accumulated deficit		(165,928)	(162,845)
Total equity		7,140	9,977
Total liabilities and equity		15,088	19,063

Going concern (note 2(c))

“Jason Bednar”
Jason Bednar, Director

“Gord Davey”
Gord Davey, Director

Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three and six months ended December 31, 2021 and 2020

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

	Note	Three months ended December 31		Six months ended December 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue		1,761	1,951	3,920	3,830
Excise taxes		(15)	(15)	(44)	(72)
Net revenue	14	1,746	1,936	3,876	3,758
Inventory expensed to cost of sales		941	1,218	2,362	2,288
Inventory write-down/(reversal)	5	161	(285)	161	22
Gross profit		644	1,003	1,353	1,448
Expenses					
General and administration	10	1,157	1,826	2,232	3,625
Sales and marketing		602	167	1,014	350
Depreciation and amortization		527	560	1,064	1,114
Share-based compensation	12	87	200	236	592
Severance and reorganization costs	13	-	-	-	163
Asset impairment and write-downs	6	-	9,185	-	9,185
		2,373	11,938	4,546	15,029
Loss from operations		(1,729)	(10,935)	(3,193)	(13,581)
Other (expense) income					
Interest and finance costs		(79)	(96)	(87)	(245)
Loss on assets disposal		-	-	(67)	-
Gain from debt/accounts payable settlement and other refunds		150	-	393	-
Unrealized loss/gain on short term investment		34	-	(110)	-
Foreign exchange gain (loss)		(6)	5	(19)	-
		99	(91)	110	(245)
Net loss from continuing operations		(1,630)	(11,026)	(3,083)	(13,826)
Loss from discontinued operations	15	-	(3,260)	-	(4,214)
Net loss		(1,630)	(14,286)	(3,083)	(18,040)
Other comprehensive loss					
Foreign currency translation		(19)	138	10	(334)
Comprehensive loss		(1,649)	(14,148)	(3,073)	(18,374)
Net loss attributable to:					
Harvest One Cannabis Inc.		(1,630)	(14,286)	(3,083)	(18,040)
Non-controlling interests	16	-	-	-	-
Comprehensive loss attributable to:					
Harvest One Cannabis Inc.		(1,649)	(14,148)	(3,083)	(18,374)
Non-controlling interests	16	-	-	-	-
Net loss per share – basic and diluted		(0.01)	(0.06)	(0.01)	(0.08)
Weighted average number of outstanding common shares		252,617,854	215,079,486	252,617,854	215,079,486

Harvest One Cannabis Inc.

Condensed consolidated interim statements of changes in equity

For the six months ended December 31, 2021 and 2020

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

	Note	Number of shares #	Share capital \$	Other reserves \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Non- controlling interest \$	Total \$
Balance, July 1, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Share-based compensation	12	-	-	592	-	-	-	592
Foreign currency translation		-	-	-	(334)	-	-	(334)
Change in ownership interests in subsidiaries	16	-	-	-	-	-	(3,053)	(3,053)
Net loss		-	-	-	-	(18,040)	-	(18,040)
Balance, December 31, 2020		215,079,486	146,203	22,392	(513)	(152,347)	-	15,735
Balance, June 30, 2021		252,617,854	148,226	24,882	(286)	(162,845)	-	9,977
Share-based compensation	12	-	-	236	-	-	-	236
Foreign currency translation		-	-	-	10	-	-	10
Net loss		-	-	-	-	(3,083)	-	(3,083)
Balance, December 31, 2021	11	252,617,854	148,226	25,118	(276)	(165,928)	-	7,140

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows

For the six months ended December 31, 2021 and 2020

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

		For the six months ended December 31	
	Note	2021	2020
			\$
Operating activities			
Net loss		(3,083)	(18,040)
Adjustments to reconcile non-cash items		-	
Depreciation and amortization	6,7	1,064	1,555
Asset impairment and write-downs		-	9,185
Impairment loss on remeasurement of disposal group		-	1,311
Inventory write-down	5	130	1,247
Unrealized loss on fair valuation of investment	4	110	-
Share-based compensation	12	236	592
Loss on disposal of assets	3,6	67	(135)
Interest and accretion on loans and borrowings	9	63	196
Gain on loan forgiveness		(78)	-
Realized fair value amounts included in inventory sold	15	-	603
Changes in working capital		-	-
Cash reclassified as asset held for sale		-	(59)
Accounts and lease receivable		83	(105)
Inventories		(369)	1,087
Prepaid expenses and deposits		(117)	361
Accounts payable and accrued liabilities		(990)	(4,934)
Net cash used in operating activities		(2,884)	(7,136)
Investing activities			
Purchase of property, plant and equipment	6	(10)	(26)
Proceeds from sale of assets held for sale	18	-	11,250
Proceeds from sale of property, plant and equipment	6	104	142
Purchase of intangibles	7	(8)	-
Proceeds from Cann Group shares	3	719	-
Net cash provided by investing activities		805	11,366
Financing activities			
Repayment of loans and borrowings	9	(132)	(3,791)
Net cash used in financing activities		(132)	(3,791)
Effect of foreign exchange on cash		10	(402)
Change in cash during the period		(2,201)	37
Cash, beginning of the year		4,431	1,406
Cash, end of the period		2,230	1,443

Supplemental information:

- 1) During the six months ended December 31, 2021, the interest paid on lease liabilities was \$41 (2020: \$37)
- 2) During the six months ended December 31, 2021, the interest received on lease receivables was \$41 (2020: \$34)

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One” or the “Company”) is a publicly traded corporation, incorporated in Canada, with its head office located at 504 – 999 Canada Place, Vancouver, BC, V6C 3E1. 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 unaudited condensed consolidated interim financial statements as at and for the three and six months ended December 31, 2021 and 2020 include Harvest One and its subsidiaries (together referred to as “the Company”).

The Company’s cultivation as well as medical and nutraceutical businesses were sold during the year ended June 30, 2021. Both were presented within discontinued operations during the year ended June 30, 2021. The only remaining principal activities of the Company are to provide innovative lifestyle and health and wellness products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water Global (“Dream Water”) and Delivra Corp. (“Delivra”). Therefore, the Company discontinued performing segment reporting effective July 1, 2021.

2. Significant accounting policies

a) Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended June 30, 2021 other than those disclosed in note 2(f). These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on March 1, 2022.

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 for the three and six months ended December 31st, 2021 decreased by (9.81%) and increased by 3.13% for the same respective periods, compared with the same periods in the previous 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

(Unaudited – 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 \$1,630 and \$3,083 for the three and six months ended December 31, 2021 and negative operating cash flows of \$2,884 for the six months ended December 31, 2021 and an accumulated deficit of \$165,928 as at December 31, 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 condensed consolidated interim financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

e) Basis of consolidation

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

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

f) The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2021.

Amendment to IAS 1: Classification of Liabilities as Current or Non-Current

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 Company adopted the standard effective July 1, 2021 with no impact on the preparation of the condensed consolidated interim financial statements.

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

3. Accounts receivable

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

	December 31 2021	June 30 2021
	\$	\$
Trade receivables	1,042	1,256
Other receivables	50	731
Taxes recoverable from governments	170	33
	1,262	2,020

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

On September 13, 2021, the Company received the remaining \$731 of Cann Group shares relating to the sale of the Company's wholly owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities") after all the milestones were met. The shares were disposed in the same month with a disposal loss of \$12.

4. Short term investments

The Company's short term investments is composed of the Cann Group shares (total number of shares: 2,248,615 shares) received relating to the sale of the "Satipharm Entities, the shares are valued at the closing share price at the end of the reporting period. The balance below excluded the remaining Cann Group shares received and sold in September 2021 as described in note 3 above.

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
Unrealized loss on changes in fair value		(110)
Balance, December 31, 2021		601

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

5. Inventories

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

	December 31 2021	June 30 2021
	\$	\$
Cannabis infused pain relief creams		
Raw materials and work-in-progress	1,940	2,017
Finished goods	31	220
	<u>1,971</u>	<u>2,237</u>
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	476	101
Finished goods	416	579
	<u>892</u>	<u>680</u>
Pain relief creams		
Raw materials and work-in-progress	393	624
Finished goods	795	254
	<u>1,188</u>	<u>878</u>
Packaging and supplies	343	229
Inventory allowance	<u>(1,874)</u>	<u>(1,745)</u>
	<u>2,520</u>	<u>2,279</u>

a) *Cannabis infused pain relief creams*

Cannabis infused inventory on hand as at December 31, 2021 pertains to extracted cannabis for use in the outsourced development and sale of Cannabis 2.0 products by the Company's manufacturer and distributor.

b) *Allowance and write-downs*

During the three and six months ended December 31, 2021, the inventory write-down was nil and \$161 (2020: reversal \$285 and write-down \$22). 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, as at December 31, 2021, the Company carries an inventory valuation allowance of \$1,874 (2020 – \$1,296).

6. Property, plant and equipment

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

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
	\$	\$	\$	\$	\$
Cost					
July 1, 2020	1,026	387	15,202	154	16,769
Additions	-	7	21	-	28
Transfers to assets held for sale	(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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

6. Property, plant and equipment (Continued)

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
Accumulated depreciation					
July 1, 2020	77	220	-	80	377
Depreciation	76	81	-	62	219
Transfers to assets held for sale	-	(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
Cost					
July 1, 2021	480	342	2,511	154	3,487
Additions	-	10	-	-	10
Disposal	-	-	(159)	-	(159)
December 31, 2021	480	352	2,352	154	3,338
Accumulated depreciation					
July 1, 2021	153	284	-	142	579
Depreciation	38	37	-	12	87
December 31, 2021	191	321	-	154	666
Net book value					
December 31, 2021	289	31	2,352	-	2,672

i) Construction in progress relates to the construction of a 68,000 square foot indoor flowering facility at the Lucky Lake property in Saskatchewan. The Company has suspended active development of its Lucky Lake facility since the beginning of the Company's strategic review of alternatives in February 2020 (the "Strategic Review") and continues to evaluate all strategic alternatives.

In July 2021, the Company disposed \$159 of capitalized costs under construction in process and received \$104 proceeds from the disposal with a \$55 loss on disposal. During the three and six months ended December 31, 2020, the Company recognized an impairment loss of \$9,185 on construction in progress based on the market value of comparable facilities.

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

7. Intangible assets

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

	Brand names	Technology & In-process formulations	R&D	Customer relationships	Website & other	Total
Cost	\$	\$	\$	\$	\$	\$
July 1, 2020	6,043	6,813	470	1,540	138	15,004
Transfers to assets held for sale	-	(2,729)	-	-	-	(2,729)
Disposals and write-downs	-	(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	-	(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
Cost						
July 1, 2021	6,043	2,154	398	1,540	123	10,258
Additions	-	-	-	-	8	8
December 31, 2021	6,043	2,154	398	1,540	131	10,266
Accumulated amortization						
July 1, 2021	2,014	1,463	-	679	70	4,226
Amortization	504	330	-	127	18	979
December 31, 2021	2,518	1,793	-	806	88	5,205
Net book value						
December 31, 2021	3,525	361	398	734	43	5,061

8. Accounts payable and accrued liabilities

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

	December 31 2021	June 30 2021
	\$	\$
Trade payables	3,245	4,869
Accrued liabilities	1,507	1,189
Payroll liabilities	126	331
Other payables	976	535
	5,854	6,924

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

9. Loans and lease liabilities

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

	Notes	December 31 2021	June 30 2021
		\$	\$
Secured and unsecured loans	(a)	1,745	1,744
Lease liabilities	(b)	349	418
Total loans and lease liabilities		2,094	2,162
Current portion		(446)	(312)
Non-current portion		1,648	1,850

a) Secured and unsecured loans

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

	Effective Interest Rate	Maturity	Face Value	Balance, July 1, 2021	Accretion	Repayments	Total
			\$	\$	\$	\$	\$
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,057	88	-	1,145
ACOA 202454	16%	2023	85	45	3	(14)	34
ACOA 203110	16%	2024	197	112	8	(20)	100
ACOA 205145	16%	2021	37	6	-	(6)	-
ACOA 206091	16%	2023	76	41	2	(12)	31
ACOA 206924	16%	2026	117	63	4	(11)	56
ACOA 207593	16%	(i)	484	420	(41)	-	379
Balance, December 31, 2021			3,856	1,744	64	(63)	1,745

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

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.

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three and six months ended December 31, 2021 and 2020

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

9. Loans and lease liabilities (continued)

b) *Lease liabilities*

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

Balance, June 30, 2020	585
Interest expense on lease liabilities	71
Lease payments	(238)
Balance, June 30, 2021	418
Interest expense on lease liabilities	27
Lease payments	(96)
Balance, December 31, 2021	349
Current portion	(124)
Non-current portion	225

For three and six months ended December 31, 2021, the Company recorded \$16 and \$17 rent expense relating to short term leases.

10. General and administration expenses

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

	Three months ended December 31		Six months ended December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Insurance	33	91	76	242
Investor relations	10	40	29	64
Office and general	155	93	265	192
Professional and consulting services	294	778	534	1,365
Regulatory	3	17	6	21
Rent	16	1	17	4
Salaries, bonus and benefits	627	802	1,278	1,729
Travel	19	4	26	8
	1,157	1,826	2,232	3,625

11. Share capital

a) *Authorized*

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

b) *Issued capital*

At December 31, 2021, 252,617,854 common shares (June 30, 2021 – 252,617,854) were issued and fully paid.

Harvest One Cannabis Inc.

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12. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	\$	\$	\$	\$
Balance, June 30, 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
Warrants issued	-	17	-	17
Share-based compensation	219	-	-	219
Balance, December 31, 2021	11,645	12,658	815	25,118

a) Share-based awards

(i) Stock options

The Company has established a share 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 10 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, 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
Granted	-	-
Expired	(527,319)	1.26
Forfeited	(1,180,476)	0.39
Outstanding at December 31, 2021	16,771,317	0.27

During the six months ended December 31, 2021, there were no new stock options granted.

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 three and six months ended December 31, 2021 by applying the following assumptions:

	December 31 2021	December 31 2020
Risk-free interest rate	0.31% – 0.65%	0.31% – 0.48%
Expected life of options (years)	3.34	3.59
Expected annualized volatility	103.60% – 123.24%	103.60% – 104.68%
Expected dividend yield	Nil	Nil

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12. Other reserves (continued)

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 at December 31, 2021 is as follows:

Expiry date	Number of stock options outstanding #	Exercise price \$	Number of stock options exercisable #
April 27, 2022	1,150,000	0.75	1,150,000
January 24, 2023	877,625	0.76	877,625
September 18, 2023	700,000	0.91	700,000
October 12, 2023	297,500	0.61	297,500
April 22, 2024	775,000	0.85	533,334
June 17, 2024	150,000	0.68	100,000
July 31, 2024	300,000	0.56	241,666
September 4, 2024	50,000	0.52	37,501
July 14, 2025	5,053,334	0.09	3,505,003
December 7, 2025	1,500,000	0.08	500,000
April 8, 2026	5,917,858	0.12	3,428,969
	16,771,317		11,371,598

(ii) Compensation Options

On March 17, 2021, the Company closed a bought-deal public offering with Mackie Research Capital Corporation, as sole bookrunner, and ATB Capital Markets Inc., as the co-lead underwriters (collectively, the "Underwriters"), pursuant to which the Company issued 37,096,700 units of the Company (the "Units") at a price of \$0.155 per Unit for gross proceeds to the Company of approximately \$5,750, including the full exercise of an over-allotment option (the "Offering"). Each Unit consists of one Common Share and one common share purchase warrant (each, 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.

In connection with the Offering, the Company granted the Underwriters 2,596,769 non-transferable compensation options ("Compensation Options") equal to 7.0% of the number of Units issued. Each Compensation Option will entitle the holder to acquire one Unit at a price of \$0.155 per Unit at any time until March 17, 2024.

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12. Other reserves (continued)

b) Warrants

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

	Brokers' RTO Warrants, Secondary Warrants	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Jonathan Carroll Warrants(iii)	Hygrovest * Warrants(i)	Bought Deal Warrants (ii)	Total number outstanding	Weighted average exercise price
								#	\$
Outstanding at June 30, 2020	600,002	5,901,182	-	517,000	-	17,083,333	-	24,101,517	0.36
Issued	-	-	-	-	-	3	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
Issued	-	-	-	-	300,000	-	-	300,000	0.09
Outstanding at December 30, 2021	100,002	-	-	-	300,000	17,083,333	37,096,700	54,580,035	0.15

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

(i) Hygrovest Warrants

On April 3, 2020, the Company issued 17,083,333 common share purchase warrants (the "Hygrovest Warrants") to Hygrovest 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 Hygrovest Warrants, the Company recognized \$481 of financing fees in interest and finance costs. The fair value of the Hygrovest Warrants was estimated using the following assumptions:

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

(ii) 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

(iii) Jonathan Carroll Warrants

On July 26, 2021, the Company announced that it engaged an arm's length service provider, Jonathan Carroll (the "Consultant") to provide strategic advisory and consulting services to the Company (the "Consulting

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12. Other reserves (continued)

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. 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 \$0.09 with an expiry date of September 23, 2023. The fair value of the Jonathan Carroll Warrants in the amount of \$17 was estimated using the following assumptions:

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

The Company’s outstanding warrants as of December 31, 2021 is as follows:

	Issued #	Outstanding #	Exercise price \$	Expiry date
Brokers’ Secondary Warrants	100,002	100,002	1.00	May 3, 2022
Hygrovest 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
Jonathan Carroll Warrants	300,000	300,000	0.09	Sept 23, 2023
	54,580,035	54,580,035		

13. Related parties

The summary of the Company’s related party transactions during the three and six months ended December 31, 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:

	Three months ended December 31		Six months ended December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	161	243	322	473
Severance costs	-	-	-	150
Directors’ fees	60	62	120	110
Share-based compensation	58	78	158	261
Total	279	383	600	994

b) Payments to related parties

As at December 31, 2021, there was \$120 directors’ fees (June 30, 2021 – \$120) and no bonus payments (June 30, 2021 – Nil) included in accounts payable and accrued liabilities.

c) Severance payments

During the three and six months ended December 31, 2021, the Company has no severance payment (2020: nil and \$150).

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14. Revenue and other geographical information

The Company generates net revenue from two geographical locations:

Net revenue	Three months ended December 31		Six months ended December 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Canada	775	896	1,797	1,879
US	971	1,040	2,079	1,879
Total	1,746	1,936	3,876	3,758

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

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

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

15. Discontinued operations

The Company's cultivation as well as medical and nutraceutical businesses were sold during the year ended June 30, 2021 following the Strategic Review announced in February 2020.

Below illustrates the discontinued operation for the three and six months ended December 31, 2020.

	Three months ended December 31 2020	Six months ended December 31 2020
	\$	\$
Net revenue	225	968
Cost of sales		
Production costs	39	455
Inventory expensed to cost of sales	175	300
Inventory write-down	1,226	1,226
Gross profit before fair value adjustments	(1,215)	(1,013)
Realized fair value amounts included in inventory sold	38	603
Unrealized change in fair value of biological assets	—	—
Gross loss	(1,253)	(1,616)
Expenses	703	1,454
Other (expense) income		
Loss on remeasurement of disposal group	(1,311)	(1,311)
Gain (loss) on disposal of assets	88	135
Interest and finance costs	(87)	(7)
Foreign exchange (loss) gain	6	39
Loss from discontinued operations	(3,260)	(4,214)

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15. Discontinued operations (Continued)

a) Expenses

Included within expenses for the three and six months ended December 31, 2020 are amortization of \$197 and \$441, respectively.

b) Loss on remeasurement of disposal group

During the three and six months ended December 31, 2020, the Company recognized a \$1,311 loss in connection with the remeasurement of the disposal group. Specifically, the \$1,311 loss was recognized from the write down of intangible assets.

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

	Six months ended December 31 2020
	\$
Net cash (used in) provided by operating activities	(11,318)
Net cash provided (used in) by investing activities	11,250
Net cash used in financing activities	—
Effect of foreign exchange on cash	(194)
Change in cash during the period	(262)

16. Non-controlling interests

The Greenbelt's non-controlling interest was sold during the year ended June 30, 2021, in the six months ended December 31, 2020, the continuity was 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 December 31, 2020	-
Sale of non-controlling interest in Greenbelt	(3,053)
Balance, December 31, 2020	-

17. Segment information

The Company's cultivation as well as medical and nutraceutical businesses were sold during the year ended June 30, 2021. Both were presented within discontinued operations during the year ended June 30, 2021. The only remaining principal activities of the Company are to provide innovative lifestyle and health and wellness products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water Global ("Dream Water") and Delivra Corp. ("Delivra"), therefore the Company doesn't perform segment reporting any longer starting from July 1st, 2021. The segment information of same period last year were as follows:

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17. Segment information (Continued)

	Three months ended December 31, 2020			Six months ended December 31, 2020		
	Consumer	Corporate	Total	Consumer	Corporate	Total
	\$	\$	\$	\$	\$	\$
Net revenue	1,936	—	1,936	3,758	—	3,758
Gross profit	1,003	—	1,003	1,448	—	1,448
Expenses	759	11,179	11,938	1,526	13,503	15,029
Net loss from continuing operations	179	(11,205)	(11,026)	(219)	(13,607)	(13,826)

18. 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 and completed the sale of those non-core assets during the year ended Jun 2021.

During the three and six months ended December 31, 2020, the Company recognized a \$1,311 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 six months ended December 31, 2020 is as follows:

	United Greeneries	Greenbelt	Total
	\$	\$	\$
Consideration received			
Cash	8,200	6,100	14,300
Less: non-controlling interest	—	(3,050)	(3,050)
	8,200	3,050	11,250
Net assets held for sale			
Cash	—	88	88
Accounts receivables	—	7	7
Prepaid expenses and deposits	93	9	102
Inventories	1,058	—	1,058
Biological assets	811	—	811
Property, plant and equipment	6,367	6,617	12,984
Accounts payable and accrued liabilities	—	(432)	(432)
Loans and lease liabilities	(129)	(189)	(318)
Net assets held for sale	8,200	6,100	14,300
Less: non-controlling interest	—	(3,050)	(3,050)
	8,200	3,050	11,250
Gain/loss on sale			
Cash received	8,200	3,050	11,250
Less: net assets sold	(8,200)	(3,050)	(11,250)
	—	—	—

19. 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.

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19. Financial instruments and risk (Continued)

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 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 December 31, 2021, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

As at December 31, 2021, the Company's aging of receivables was approximately as follows:

	December 31 2021	June 30 2021
	\$	\$
0 – 60 days	744	876
Over 60 days	298	380
	1,042	1,256

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2021, 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 \$7,131 and current liabilities of \$6,300. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

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

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19. Financial instruments and risk (Continued)

During the three and six months period ended December 31, 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, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.