Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended March 31, 2020 and 2019
(in Canadian dollars)

Harvest One Cannabis Inc.

Table of contents

Harvest One Cannabis Inc.

Condensed consolidated interim statements of financial position

As at March 31, 2020 and June 30, 2019

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

	Note	**March 31 2020**	June 30 2019
		$	$
Assets			
Current assets			
Cash and cash equivalents		**981**	20,301
Accounts receivable	4	**2,809**	3,308
Lease receivable		**97**	—
Inventories	5	**16,049**	9,083
Biological assets	6	**1,056**	857
Prepaid expenses and deposits		**1,750**	1,612
Promissory note		**—**	255
		22,742	35,416
Lease receivable		**431**	—
Property, plant and equipment	7	**28,976**	31,125
Investment in and loan to associate	8	**—**	1,865
Intangible assets	9	**19,425**	10,334
Goodwill	12	**—**	23,583
		48,832	66,907
Assets held for sale	13	**9,807**	—
Total assets		**81,381**	102,323
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	**14,495**	8,301
Loans and lease liabilities	15	**2,345**	101
		16,840	8,402
Loans and lease liabilities	15	**2,343**	139
Deferred tax liability		**—**	647
		2,343	786
Liabilities associated with assets held for sale	13	**1,157**	—
Total liabilities		**20,340**	9,188
Equity			
Share capital	17	**146,203**	125,093
Other reserves	18	**21,725**	18,042
Accumulated other comprehensive loss		**(31)**	(139)
Accumulated deficit		**(111,066)**	(54,450)
Equity attributable to Harvest One shareholders		**56,831**	88,546
Non-controlling interest	11	**4,210**	4,589
Total equity		**61,041**	93,135
Total liabilities and equity		**81,381**	102,323

Going concern (note 2(b))
Commitments and contingencies (note 20)
Subsequent events (note 22)

"Frank Holler"
Frank Holler, Director

"Andrew Bayfield"
Andrew Bayfield, Director

HARVEST ONE

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three and nine months ended March 31, 2020 and 2019

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

		Three months ended March 31		Nine months ended March 31	
	Note	**2020**	2019	**2020**	2019
		$	$	**$**	$
Revenue		**3,634**	3,189	**9,635**	8,852
Excise taxes		**306**	166	**475**	408
Net revenue	21	**3,328**	3,023	**9,160**	8,444
Cost of sales					
Production costs		**663**	660	**1,869**	2,102
Inventory expensed to cost of sales		**1,698**	1,322	**6,064**	3,674
Inventory write-down	5	**1,532**	—	**1,532**	—
Gross (loss) profit before fair value adjustments		**(565)**	1,041	**(305)**	2,668
Realized fair value amounts included in inventory sold	5	**1,730**	1,519	**2,661**	3,793
Unrealized change in fair value of biological assets	6	**(1,265)**	(685)	**(3,267)**	(3,037)
Gross (loss) profit		**(1,030)**	207	**301**	1,912
Expenses					
General and administration	16	**3,200**	3,341	**11,142**	8,980
Sales and marketing		**657**	745	**2,230**	1,679
Acquisition costs		**—**	223	**33**	267
Research and development		**48**	—	**246**	—
Depreciation and amortization		**544**	84	**1,847**	269
Share-based compensation	18(a)	**1,222**	761	**2,428**	3,170
Severance and reorganization costs	13, 19	**—**	154	**349**	1,346
		5,671	5,308	**18,275**	15,711
Loss from operations		**(6,701)**	(5,101)	**(17,974)**	(13,799)
Other (expense) income					
Asset impairment and write-downs	7(b), 12	**(27,465)**	—	**(37,331)**	(347)
Loss on disposal of assets	8, 13	**(975)**	—	**(1,088)**	—
Interest and finance costs		**(274)**	(21)	**(385)**	(36)
Earnings (loss) on investment in associate	8(a)	**28**	(66)	**(195)**	(115)
Foreign exchange (loss) gain		**(23)**	57	**(22)**	39
		(28,709)	(30)	**(39,021)**	(459)
Net loss		**(35,410)**	(5,131)	**(56,995)**	(14,258)
Other comprehensive income (loss)					
Foreign currency translation		**285**	(96)	**108**	(107)
Comprehensive loss		**(35,125)**	(5,227)	**(56,887)**	(14,365)
Net loss attributable to:					
Harvest One Cannabis Inc.		**(35,364)**	(5,131)	**(56,616)**	(14,258)
Non-controlling interests	11	**(46)**	—	**(379)**	—
Comprehensive loss attributable to:					
Harvest One Cannabis Inc.		**(35,079)**	(5,227)	**(56,508)**	(14,365)
Non-controlling interests	11	**(46)**	—	**(379)**	—
Net loss per share – basic and diluted		**(0.16)**	(0.03)	**(0.26)**	(0.08)
Weighted average number of outstanding common shares		**214,753,073**	182,215,534	**214,497,526**	177,789,938

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of changes in equity

For the nine months ended March 31, 2020 and 2019

(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, 2018		173,621,452	117,736	13,856	(83)	(26,598)	—	104,911
Common shares issued for acquisitions		11,848,295	6,926	—	—	—	—	6,926
Warrants exercised		150,000	150	—	—	—	—	150
Share-based compensation	18(a)	—	—	3,170	—	—	—	3,170
Foreign currency translation		—	—	—	(107)	—	—	(107)
Non-controlling interest		—	—	—	—	—	4,720	4,720
Net loss		—	—	—	—	(14,258)		(14,258)
Balance, March 31, 2019		185,619,747	124,812	17,026	(190)	(40,856)	4,720	105,512
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	10(a)	28,272,622	20,639	—	—	—	—	20,639
Options and warrants issued for acquisition	10(a), 18	—	—	1,255	—	—	—	1,255
Share-based compensation	18(a)	—	—	2,428	—	—	—	2,428
Foreign currency translation		—	—	—	108	—	—	108
Net loss		—	—	—	—	(56,616)	(379)	(56,995)
Balance, March 31, 2020		**215,079,486**	**146,203**	**21,725**	**(31)**	**(111,066)**	**4,210**	**61,041**

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows

For the three and nine months ended March 31, 2020 and 2019

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

		Three months ended March 31		Nine months ended March 31	
	Note	**2020**	2019	**2020**	2019
		$	$	**$**	$
Operating activities					
Net loss		**(35,410)**	(5,131)	**(56,995)**	(14,258)
Adjustments to reconcile non-cash items					
Depreciation and amortization	7, 9	**634**	204	**2,119**	539
Asset impairment and write-downs	7(b), 12	**27,465**	—	**37,331**	332
Inventory write-down	5	**1,532**	—	**1,532**	—
Loss on disposal of assets	8, 13	**975**	—	**1,088**	4
Share-based compensation	18(a)	**1,222**	761	**2,428**	3,170
Issuance of common shares for services		**—**	—	**471**	—
Interest and accretion on loans and borrowings	15(a)	**135**	—	**274**	—
(Earnings) loss from investment in associate	8(a)	**(28)**	66	**195**	115
Unrealized change in fair value of biological assets	6	**(1,265)**	(685)	**(3,267)**	(3,037)
Realized fair value amounts included in inventory sold	5	**1,730**	1,519	**2,661**	3,793
Fair value adjustment in inventory expensed to cost of sales		**407**	—	**1,176**	468
Changes in working capital					
Cash reclassed as asset held for sale		**10**	—	**(48)**	—
Accounts and lease receivable		**53**	12	**931**	(1,846)
Inventories		**(1,823)**	(1,564)	**(6,185)**	(2,946)
Prepaid expenses and deposits		**208**	(729)	**(203)**	(450)
Accounts payable and accrued liabilities		**497**	1,399	**(1,774)**	768
Net cash used in operating activities		**(3,658)**	(4,148)	**(18,266)**	(13,348)
Investing activities					
Purchase of property, plant and equipment	7	**(250)**	(3,950)	**(4,854)**	(7,921)
Proceeds from sale of property, plant and equipment		**796**	—	**948**	—
Purchase of intangible assets	9	**11**	(26)	**(22)**	(38)
Proceeds from sale of investment in associate	8	**1,513**	—	**1,513**	—
Investment in and loan to associate	8	**—**	—	**(250)**	(1,791)
Acquisition of businesses, net of cash acquired	10	**—**	(2,997)	**86**	(3,970)
Promissory note		**—**	(250)	**—**	(250)
Net cash provided by (used in) investing activities		**2,070**	(7,223)	**(2,579)**	(13,970)
Financing activities					
Proceeds from loans and borrowings	15(b)	**2,000**	—	**2,000**	—
Repayment of loans and borrowings		**(93)**	—	**(294)**	—
Warrants exercised		**—**	—	**—**	150
Net cash provided by financing activities		**1,907**	—	**1,706**	150
Effect of foreign exchange on cash		**(118)**	(63)	**(181)**	(130)
Change in cash during the period		**201**	(11,434)	**(19,320)**	(27,298)
Cash, beginning of the period		**780**	40,892	**20,301**	56,846
Cash, end of the period		**981**	29,458	**981**	29,548

HARVEST ONE

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

1. Nature of operations

Harvest One Cannabis Inc. ("Harvest One") is a publicly traded corporation, incorporated in Canada, with its head office registered at 1400 – 885 West Georgia Street, Vancouver, BC, V6C 3E8. 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 three and nine months ended March 31, 2020 and 2019 include Harvest One and its subsidiaries (together referred to as "the Company") and the Company's interest in an affiliated 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: United Greeneries Ltd. ("United Greeneries"), a Licensed Producer of cannabis pursuant to the *Cannabis Act*, and Greenbelt Greenhouse Ltd. ("Greenbelt") under the cultivation segment; Satipharm Limited ("Satipharm") and PhytoTech Therapeutics Ltd. ("PhytoTech"), both under the Company's medical and nutraceutical segment; and Dream Water Global ("Dream Water") and Delivra Corp. ("Delivra"), the Company's consumer segment.

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, 2019 other than those disclosed in note 3. 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, 2019, 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 June 26, 2020.

b) *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 or raise additional capital through debt financings, equity financings, or asset sales. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing further financing transactions in the future.

The Company had a consolidated net loss of $35,410 and $56,995 and negative operating cash flows of $3,658 and $18,266 for the three and nine months ended March 31, 2020 and an accumulated deficit of $111,066 as at March 31, 2020. 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 goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the condensed consolidated interim 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.

c) *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 and biological assets which are measured at fair value.

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

2. Significant accounting policies (continued)

d) *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. The table below lists the Company's subsidiaries, investment in associate and the ownership interests in each:

Subsidiary	Jurisdiction	% ownership	Accounting method
United Greeneries Holdings Ltd.	Canada	100%	Consolidation
United Greeneries Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation
Satipharm Limited	Ireland	100%	Consolidation
Satipharm Europe Ltd.	UK	100%	Consolidation
Satipharm AG	Switzerland	100%	Consolidation
Satipharm Canada Limited	Canada	100%	Consolidation
Satipharm Australia Pty Ltd.	Australia	100%	Consolidation
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
PhytoTech Therapeutics Ltd.	Israel	100%	Consolidation
Greenbelt Greenhouse Ltd.	Canada	50.1%	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

e) *Significant accounting policies*

As a result of the acquisition of Delivra as described in note 10, the Company has amended the following significant accounting policy from that disclosed in the annual audited consolidated financial statements for the year ended June 30, 2019:

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:

Website	5 years
Customer relationships	7 years
Technology and formulations	8 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 acquired brand names and in-process R&D which are carried at cost. Brand names are estimated to have an indefinite life because they are expected to generate cash flows indefinitely. In-process R&D is not yet available for use and is not subject to amortization. Indefinite life intangible assets are not amortized but are tested for impairment annually and when there is an indication of impairment.

3. New accounting standards and interpretations

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2019.

IFRS 16 – Leases (“IFRS 16”)

IFRS 16 was issued by the International Accounting Standards Board (“IASB”) replacing IAS 17 – Leases (“IAS 17”) and related interpretations and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the current operating/finance lease dual accounting model for lessees and replaces it with a single, on-balance sheet accounting model, similar to the previous finance lease accounting.

The Company has updated its accounting policy for leasing to reflect the adoption of IFRS 16 as detailed below.

Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Accounting as a lessee

For contracts that contain a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is assessed for impairment losses, should a trigger be identified and adjusted for impairment if required.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability is comprised of fixed lease payments and lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company presents right-of-use assets in ‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

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

3. New accounting standards and interpretations (continued)

Short-term leases and lease of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systemic basis over the lease term.

Critical accounting estimates and judgments

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges. Judgment is applied in determination of the stand-alone price of the lease and non-lease components.

Transition to IFRS 16

The Company adopted IFRS 16 using the modified retrospective method which does not require restatement of comparative periods. Therefore, the comparative information has not been restated and continues to be reported under IAS 17.

The Company used the following additional practical expedients:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systemic basis over the lease term;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term of the contract contains options to extend or terminate the lease.

The Company elected to measure the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. On transition to IFRS 16, the Company recognized $882 of right-of-use assets and $882 of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted-average rate applied is 14.5%.

Operating lease commitments at June 30, 2019	1,759
Discounted using the incremental borrowing rate at July 1, 2019	14.5%
Finance lease liabilities recognized as at June 30, 2019	**1,282**
Recognition exception for short-term leases	(89)
Scope changes due to IFRS 16	(311)
Lease liabilities at July 1, 2019	**882**

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability at July 1, 2019, are determined as the carrying amounts of the lease asset and lease liability under IAS 17 immediately before that date.

Accounting as a lessor

When the Company acts as a lessor, it will determine at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

4. Accounts receivable

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

	March 31 2020	June 30 2019
	$	$
Trade receivables	**2,364**	2,577
Taxes recoverable from governments	**445**	731
	2,809	3,308

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 March 31, 2020, the carrying amount of two customers within the cultivation segment was greater than 10% of trade receivables. At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

5. Inventories

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

	March 31 2020	June 30 2019
	$	$
Harvested cannabis		
Work-in-progress	**7,134**	3,974
Finished goods	**868**	1,328
	8,002	5,302
CBD capsules		
Raw materials and work-in-progress	**302**	1,399
Finished goods	**2,320**	748
	2,622	2,147
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	**345**	650
Finished goods	**2,759**	652
	3,104	1,302
Pain relief creams		
Raw materials and work-in-progress	**707**	—
Finished goods	**604**	—
	1,311	—
Packaging and supplies	**1,010**	332
	16,049	9,083

a) *Harvested cannabis*

During the three and nine months ended March 31, 2020, cost of sales on cannabis inventory sold was $1,901 and $3,904 (2019 – $2,192 and $4,660), of which $1,730 and $2,661 (2019 – $1,520 and $3,793) related to realized fair value changes and $171 and $1,243 (2019 – $672 and $867) related to costs incurred to sell harvested cannabis inventory.

The Company regularly reviews its harvested cannabis inventory for quality and freshness. During the three and nine months ended March 31, 2020, 481 kg of cannabis inventory did not meet the Company's quality standards for dried flower sale and therefore, was revalued as extraction grade cannabis or destroyed. As a result, the Company recognized a write-down of $1,532 of harvested cannabis to reduce the carrying amount to its estimated net realizable value.

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

6. Biological assets

The continuity of biological assets at March 31, 2020 and June 30, 2019, which consists of seeds and cannabis plants, is as follows:

	March 31 2020	June 30 2019
	$	$
Balance, beginning of period	**857**	904
Unrealized change in fair value of biological assets	**3,267**	3,992
Transferred to inventory upon harvest	**(3,068)**	(4,039)
Balance, end of period	**1,056**	857

As at March 31, 2020, included in the carrying amount of biological assets was $1,028 in cannabis plants and $28 in seeds (June 30, 2019 – $821 in cannabis plants and $36 in seeds).

Biological assets are valued in accordance with IAS 41 – *Agriculture* and are presented at their fair value less costs to sell up to the point of harvest. The fair value measurements for biological assets have been categorized as Level 3 of the fair value hierarchy based on the inputs to the valuation technique used, as there is currently no actively traded commodity market for plants. The fair value was determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated fair value less costs to sell per gram. The significant assumptions applied in determining the fair value of biological assets are as follows:

a) wastage of plants based on their various stages;
b) expected yield by strain of plant of approximately 27 grams per plant based on an average of historical growing results (June 30, 2019 – approximately 21 grams per plant);
c) percentage of costs incurred to date compared to the estimated total costs to be incurred ("stage of plant growth");
d) percentage of costs incurred for each stage of plant growth;
e) average selling price of $8.30 per gram (June 30, 2019 – between $7.80 and $10.20 per gram); and
f) average selling costs of $2.90 per gram (June 30, 2019 – between $1.50 and $3.80 per gram).

The selling price used in the valuation of biological assets is based on the average selling price of cannabis products for the recreational market and can vary based on different strains being grown. Expected yields for the cannabis plant is also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. Selling costs include packaging, labelling, shipping, and other costs incurred to sell cannabis products for the recreational market.

The Company periodically assesses the significant assumptions applied in determining the fair value of biological assets based on historical information obtained as well as planned production schedules. When there is a material change in any of the significant assumptions, the fair value of biological assets is adjusted.

During the three and nine months ended March 31, 2020, the Company determined that the fair value less costs to sell was $5.40 per gram (three and nine months ended March 31, 2020 - $6.30 per gram).

These estimates are subject to volatility and a number of uncontrollable factors which could significantly affect the fair value of biological assets in future periods. A 10% increase or decrease in the fair value less costs to sell or in the expected yield would result in an increase or decrease of approximately $129 in biological assets at March 31, 2020 (June 30, 2019 – $104).

On average, the growth cycle is 13 weeks and for in-process biological assets, the fair value at point of harvest is adjusted based on the stage of plant growth. As at March 31, 2020, on average, the biological assets were 53% complete to the next expected harvest date (June 30, 2019 – 65%).

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

7. 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, 2018	2,575	386	5,257	1,395	1,809	—	11,422
Additions	143	132	19	—	12,252	—	12,546
Additions from Greenbelt acquisition	2,742	17	6,604	461	—	—	9,824
Transfers	388	—	—	—	(388)	—	—
Disposals and write-downs	(1,278)	—	—	—	(327)	—	(1,605)
June 30, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Accumulated depreciation							
July 1, 2018	628	98	156	—	—	—	882
Depreciation	334	113	200	—	—	—	647
Disposals and write-downs	(467)	—	—	—	—	—	(467)
June 30, 2019	495	211	356	—	—	—	1,062
Net book value							
June 30, 2019	4,075	324	11,524	1,856	13,346	—	31,125
Cost							
July 1, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Additions	609	50	—	—	8,318	954	9,931
Additions from Delivra acquisition (note 10(a))	481	—	—	—	—	—	481
Transfers to assets held for sale (note 13)	(2,389)	(17)	(6,556)	(461)	(334)	—	(9,757)
Disposals and write-downs	(488)	(32)	(48)	(964)	(392)	(663)	(2,587)
March 31, 2020	2,783	536	5,276	431	20,938	291	30,255
Accumulated depreciation							
July 1, 2019	495	211	356	—	—	—	1,062
Depreciation	318	105	235	—	—	163	821
Transfers to assets held for sale (note 13)	(54)	(4)	(180)	—	—	—	(238)
Disposals and write-downs	(233)	(32)	(11)	—	—	(90)	(366)
March 31, 2020	526	280	400	—	—	73	1,279
Net book value							
March 31, 2020	**2,257**	**256**	**4,876**	**431**	**20,938**	**218**	**28,976**

a) *Construction in progress*

Additions to construction in progress during the nine months ended March 31, 2020 mainly relate to: (1) the construction of a 68,000 square foot indoor facility at the Lucky Lake property in Saskatchewan; and (2) the modular expansion on the land adjacent to the Duncan facility. 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.

b) *Asset impairment and write-downs*

During the nine months ended March 31, 2019, approximately $200 in costs related to a facility which the Company decided not to proceed with and $147 in costs related to other planned projects were written-off. These costs consisted of amounts capitalized in construction in progress and prepaid expenses and deposits.

c) *Right-of-use assets*

The Company adopted IFRS 16 – Leases effective July 1, 2019 (note 3). Additions during the nine months ended March 31, 2020 includes $882 right-of-use assets on transition to IFRS 16 and $72 of right-of-use asset additions for office leases.

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

8. Investment in and loan to associate

The summary of the Company's investment in and loan to associate is as follows:

	Notes	**March 31 2020**	June 30 2019
		$	$
Investment in associate	(a)	—	1,102
Warrants in associate		—	763
		—	1,865

On February 25, 2020, the Company sold its 19.99% equity stake in Burb back to the founders of Burb and forgave a shareholder loan with a face value of $250 in exchange for cash consideration of $1,513. In addition, Burb and Harvest One concurrently agreed to terminate Harvest One's option to purchase a majority equity interest in Burb as well as outstanding warrants in the capital of Burb held by Harvest One. The Company recognized a loss of $413 included in Other Expense.

a) *Investment in associate*

The following table summarizes the carrying amount of the Company's interest in Burb:

Company's share (%)		19.99%
Balance, June 30, 2018	$	—
Additions		1,319
Share of loss for the year ended June 30, 2019		(217)
Balance, June 30, 2019		1,102
Share of loss for the period ended March 31, 2020		(195)
Sale of investment in associate		(907)
Balance, March 31, 2020		—

b) *Loan to associate*

On September 18, 2019, the Company loaned Burb $250 following Burb's receipt of its first retail cannabis licence. The interest rate on the loan was 6% per annum and had a maturity of 2.5 years. The loan was forgiven as described above.

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

9. 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, 2018	4,190	—	—	1,540	58	5,788
Additions	—	—	—	—	148	148
Additions from PhytoTech acquisition	—	—	4,659	—	—	4,659
June 30, 2019	4,190	—	4,659	1,540	206	10,595
Accumulated amortization						
July 1, 2018	—	—	—	19	10	29
Amortization		—	—	220	12	232
June 30, 2019	—	—	—	239	22	261
Net book value						
June 30, 2019	4,190	—	4,659	1,301	184	10,334
Cost						
July 1, 2019	4,190	—	4,659	1,540	206	10,595
Additions	—	—	—	—	22	22
Additions from Delivra acquisition (note 10(a))	1,900	7,997	470	—	—	10,367
March 31, 2020	6,090	7,997	5,129	1,540	228	20,984
Accumulated amortization						
July 1, 2019	—	—	—	239	22	261
Amortization	—	1,124	—	165	9	1,298
March 31, 2020	—	1,124	—	404	31	1,559
Net book value						
March 31, 2020	**6,090**	**6,873**	**5,129**	**1,136**	**197**	**19,425**

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

10. Asset acquisitions and business combinations

a) *Acquisitions completed during the nine months ended March 31, 2020*

The summary of the Company's asset acquisition and business combination completed during the nine months ended March 31, 2020 is as follows:

Acquisition completed during the period ended March 31, 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	7,997
Brand name	1,900
In process R&D	470
Goodwill	13,748
	21,894
Net assets acquired	
Cash and cash equivalents	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	
Nine months ended March 31, 2020	33

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.

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

10. Asset acquisitions and business combinations (continued)

a) *Acquisitions completed during the nine months ended March 31, 2020 (continued)*

Management is in the process of gathering relevant information to determine and finalize the fair value of the net identifiable assets acquired. As such, the purchase price allocation for the Delivra acquisition is provisional based on estimated fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. The values assigned are, therefore, preliminary and subject to change as additional information is received. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets and the allocation of goodwill.

During the three months ended March 31, 2020, the preliminary acquisition date values have been adjusted from the preliminary values previously reported as at the acquisition date. Management retrospectively recorded a $5,303 decrease in intangible assets acquired and a $5,303 increase in goodwill.

For the three and nine months ended March 31, 2020, Delivra contributed revenues of $473 and $1,566 and a net loss of $828 and $2,760 since the July 3, 2019 acquisition date.

b) *Acquisitions completed during the nine months ended March 31, 2019*

The summary of the Company's asset acquisition and business combination completed during the nine months ended March 31, 2019 is as follows:

Acquisition completed during the period ended March 31, 2019	PhytoTech (i)	Greenbelt (ii)	Total
	$	$	$
Consideration transferred			
Cash paid	1,000	3,250	4,250
Common shares issued	3,580	3,346	6,926
Cash acquisition costs paid	103	—	103
	4,683	**6,596**	**11,279**
Purchase price allocation			
Net assets acquired	24	8,904	8,928
Intangible assets			
In process R&D	4,659	—	4,659
Non-controlling interest	—	(4,274)	(4,274)
Goodwill	—	1,966	1,966
	4,683	**6,596**	**11,279**
Non-controlling interest at acquisition (%)	*0%*	*48%*	
Net assets acquired			
Cash and cash equivalents	28	302	330
Accounts receivables	2	51	53
Prepaid expenses and deposits	—	7	7
Inventories	—	104	104
Property, plant and equipment	—	9,824	9,824
Assets acquired	30	10,288	10,318
Accounts payable and accrued liabilities	(6)	(457)	(463)
Finance leases	—	(280)	(280)
Deferred tax liability	—	(647)	(647)
	24	**8,904**	**8,928**
Net cash outflows			
Cash consideration	1,103	3,250	4,353
Less: cash acquired	(28)	(302)	(330)
	1,075	**2,948**	**4,023**
Acquisition costs expensed			
Nine months ended March 31, 2019	—	24	24

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

10. Asset acquisitions and business combinations (continued)

b) *Acquisitions completed during the nine months ended March 31, 2019 (continued)*

(i) PhytoTech Therapeutics Ltd.

On November 20, 2018, the Company acquired 100% of the net assets of PhytoTech, an Israeli-based pharmaceutical research and development ("R&D") company that develops cannabinoid-based drug products for a variety of clinical trials to service the medical market and administers clinical trials using Satipharm's proprietary CBD Gelpell® capsules.

The Company acquired all of the outstanding shares of PhytoTech from the Company's majority shareholder MMJ Group Holdings Limited ("MMJ") for a total consideration of $4,580, which consisted of $1,000 cash and 8,326,695 common shares with a fair value of $3,580 based on the closing share price of the Company's common shares on November 20, 2018.

The acquisition was a related party transaction, measured at the exchange value being the amounts agreed to by the parties, and was reviewed and approved by the independent members of the Company's Board of Directors. The transaction was accounted for as an asset acquisition.

(ii) Greenbelt Greenhouse Ltd.

On November 20, 2018, the Company acquired 100% of the net assets of PhytoTech, an Israeli-based On March 29, 2019, the Company acquired a 52% ownership interest in Greenbelt, a private Canadian company located in Hamilton, Ontario to control significant production of high-quality greenhouse grown cannabis for newly infused formulations of the Company's existing brands. The Company acquired 52% of Greenbelt's issued and outstanding shares for an aggregate consideration of $6,596, consisting of $3,250 cash and 3,521,600 common shares, with a fair value of $3,346 based on the closing share price of the Company's common shares on March 29, 2019.

The transaction was accounted for as a business combination in accordance with IFRS 3 – Business Combinations. The non-controlling interest recognized at the acquisition date was recorded at its proportionate share of Greenbelt's fair value of identifiable net assets.

Goodwill arose from the acquisition as the consideration paid reflects: (1) the benefit of the acquired workforce and (2) 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.

11. Non-controlling interests

The continuity of Greenbelt's non-controlling interest at March 31, 2020 and June 30, 2019 as follows:

Company's ownership interest (%)		50.1%
Balance, June 30, 2018	$	—
Non-controlling interest arising on acquisition of Greenbelt		4,274
Non-controlling interest adjustment for change in ownership interests		428
Share of loss for the year ended June 30, 2019		(113)
Balance, June 30, 2019		4,589
Share of loss for the period ended March 31, 2020		(379)
Balance, March 31, 2020		**4,210**

The Company also entered into a loan facility agreement with Greenbelt dated March 29, 2019, pursuant to which the Company agreed to provide a secured bridge loan facility to Greenbelt of up to $3,500 bearing interest of 4.5% per annum over a one-year term. Under the loan facility, Greenbelt may draw down funds for the purpose of completing the planned retrofit of Greenbelt's greenhouse facility. As at March 31, 2020, $nil funds have been drawn from the secured bridge loan facility.

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

12. Goodwill

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

	March 31 2020	June 30 2019
	$	$
Consumer segment	—	21,617
Cultivation segment	—	1,966
	—	23,583

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 periods ended March 31, 2020 and December 31, 2019, 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 as at March 31, 2020 and December 31, 2019. For the purpose of the impairment tests, management assessed the consumer segment and the cultivation segment to be the lowest level at which management monitored goodwill.

During the three and nine months ended March 31, 2020, the Company recognized impairment charges of $27,465 and $35,365 (2019 - $nil and $nil) in the consumer segment and $nil and $1,966 (2019 - $nil and $nil) in the cultivation segment (see note 13) to reduce the carrying value to the recoverable amount.

The recoverable amount of the consumer segment (comprised of a single CGU) was determined using the value-in-use method. Management estimated the recoverable amount of goodwill and indefinite life intangible assets based on discounted cash flows (five-year projections and a terminal year thereafter) and incorporated assumptions that would be used by an independent market participant. The key assumptions used in the calculation of the recoverable amount include future cash flows and growth rates, future weighted average cost of capital and terminal growth rate. Management used a range of growth rates between 3% to 75%, a discount rate of 20% and a terminal growth rate of 2%. These key assumptions were based on historical data from internal sources as well as industry and market trends.

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

13. 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 March 31, 2020, the Company completed the sale of the Lillooet Property for cash consideration of $770. In connection with the sale, the Company recognized a loss of $587 included in Other Expense.

As at March 31, 2020, the assets held for sale is comprised of assets of $9,807 less liabilities of $1,157 related to the Company's 50.1% ownership interest in Greenbelt, detailed as follows:

Cash and cash equivalents	$	48
Accounts receivable		39
Prepaid expenses and deposits		201
Property, plant and equipment		9,519
Accounts payable and accrued liabilities		(325)
Loans and lease liabilities (note 15(b))		(185)
Deferred tax liability		(647)
Balance, March 31, 2020		**8,650**

During the nine months ended March 31, 2020, the Company recognized a $1,966 impairment charge in the cultivation segment upon classifying these assets as held for sale.

14. Accounts payable and accrued liabilities

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

	March 31 2020	June 30 2019
	$	$
Trade payables	**11,418**	3,586
Accrued liabilities	**2,164**	4,143
Payroll liabilities	**253**	325
Other payables	**660**	247
	14,495	8,301

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

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

15. Loans and lease liabilities

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

	Notes	**March 31 2020**	June 30 2019
		$	$
Secured and unsecured loans	(a)	**1,865**	—
Secured loan from related party	(b)	**2,065**	—
Lease liabilities	(c)	**758**	240
Total loans and lease liabilities		**4,688**	240
Current portion		**(2,345)**	(101)
Non-current portion		**2,343**	139

a) *Secured and unsecured loans*

In connection with the Delivra acquisition on July 3, 2019 (note 10), the Company assumed eight unsecured loans from the Atlantic Canada Opportunities Agency ("ACOA") and one secured loan from Finance PEI. The summary of the secured and unsecured loans assumed is as follows:

	Effective Interest Rate	Maturity	Face Value	Balance, July 3, 2019	Accretion	Repayments	**Total**
			$	$	$	$	**$**
Balance, July 1, 2019							—
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,064	132	—	**1,196**
ACOA 201246	16%	2019	17	3	2	(5)	—
ACOA 202454	16%	2022	85	62	7	(15)	**54**
ACOA 203110	16%	2024	197	134	15	(27)	**122**
ACOA 205145	16%	2020	37	27	3	(13)	**17**
ACOA 206091	16%	2022	76	55	6	(12)	**49**
ACOA 206924	16%	2025	117	71	8	(11)	**68**
ACOA 207593	16%	(i)	484	306	40	—	**346**
Finance PEI	9%	2020	47	35	1	(23)	**13**
Balance, March 31, 2020			3,920	1,757	214	(106)	**1,865**

(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, 2021 to August 31, 2022.

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.

b) *Secured loan from related party*

On January 10, 2020, the Company entered into a secured loan agreement with MMJ for a loan in the principal amount of $2,000 (the "Loan"). The Loan bears 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 22(a). On June 8, 2020, MMJ agreed to defer repayment of the Loan to July 17, 2020 and is described further in note 22(c).

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

15. Loans and borrowings (continued)

c) *Lease liabilities*

The continuity of the Company's lease liabilities at March 31, 2020 and June 30, 2019 is as follows:

Balance, June 30, 2018	$	—
Additions on acquisition of Greenbelt		280
Lease payments		(46)
Interest expense on lease liabilities		6
Balance, June 30, 2019		240
Recognition of lease liabilities on initial application of IFRS 16 (note 3)		882
Adjusted balance, July 1, 2019		1,122
Additions on acquisition of Delivra (note 10)		72
Interest expense on lease liabilities		107
Lease payments		(295)
Transfer to liabilities associated with assets held for sale (note 13)		(185)
Termination of lease liability		(63)
Balance, March 31, 2020		**758**

16. General and administration expenses

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

	Three months ended March 31		**Nine months ended March 31**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Insurance	**261**	168	**656**	371
Investor relations	**32**	130	**338**	313
Office and general	**332**	486	**1,146**	932
Professional and consulting services	**544**	576	**1,786**	1,726
Regulatory	**28**	29	**110**	34
Rent	**39**	128	**153**	323
Salaries, bonus and benefits	**1,872**	1,651	**6,430**	4,686
Travel	**92**	173	**523**	595
	3,200	3,341	**11,142**	8,980

17. Share capital

a) *Authorized*

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

b) *Issued capital*

At March 31, 2020, 215,079,486 common shares (June 30, 2019 – 185,819,851) were issued and fully paid.

During the nine months ended March 31, 2020, the Company issued common shares as follows:

	Number of shares	Share capital
	#	$
Acquisition of Delivra (note 10)	28,272,622	20,639
Common shares issued for services	987,013	471
	29,259,635	21,110

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

18. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other (c)	Total
	$	$	$	$
Balance, June 30, 2018	3,465	9,648	743	13,856
Share-based compensation	4,245	—	—	4,245
Warrants exercised	—	(131)	—	(131)
Change in ownership interests in subsidiaries (note 11)	—	—	72	72
Balance, June 30, 2019	7,710	9,517	815	18,042
Share-based compensation	2,428	—	—	2,428
Acquisition of Delivra (note 10)	920	335	—	1,255
Balance, March 31, 2020	**11,058**	**9,852**	**815**	**21,725**

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. The maximum number of shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company. Vesting is determined by the Board of Directors.

The continuity of the Company's stock options at March 31, 2020 and June 30, 2019 is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30, 2018	9,025,000	0.82
Granted	12,460,000	0.79
Expired	(2,113,334)	0.75
Forfeited	(1,586,666)	0.98
Outstanding at June 30, 2019	17,785,000	0.79
Granted	4,342,918	0.80
Expired	(2,002,922)	0.77
Forfeited	(1,900,850)	0.77
Outstanding at March 31, 2020	**18,224,146**	**0.80**

In connection with the Delivra acquisition on July 3, 2019 (note 10), 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 of which 2,409,608 stock options vested immediately and the remaining stock options vest over seven months.

During the three and nine months ended March 31, 2020, the Company granted a total of 50,000 and 1,435,000 stock options under the Company's stock option incentive plan to certain directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price between $0.17 to $0.56 for a period of five years following the grant date of which 105,000 stock options vested immediately and the remaining stock options vest over three years.

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

18. Other reserves (continued)

a) *Share-based awards (continued)*

(i) Stock options (continued)

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 nine months ended March 31, 2020 and 2019 by applying the following assumptions:

	March 31 2020	March 31 2019
Risk-free interest rate	**1.22% – 1.80%**	2.07% – 2.20%
Expected life of options (years)	**0.6 – 4.3**	3.6
Expected annualized volatility	**75.00% – 92.50%**	86.47% – 87.04%
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 at March 31, 2020 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
May 15, 2020	5,710,000	0.77	5,710,000
June 15, 2020	119,000	1.01	119,000
August 21, 2020	59,500	1.18	59,500
September 11, 2020	4,777	1.26	4,777
November 30, 2020	440,300	0.84	440,300
January 26, 2021	223,125	1.26	223,125
October 3, 2021	92,969	1.26	92,969
December 19, 2021	434,350	1.26	434,350
April 27, 2022	2,050,000	0.75	2,050,000
January 24, 2023	877,625	0.76	877,625
January 25, 2023	150,000	1.77	112,500
May 28, 2023	675,000	0.84	362,500
July 3, 2023	2,290,000	0.77	992,333
September 18, 2023	800,000	0.91	266,668
October 12, 2023	297,500	0.61	297,500
April 22, 2024	2,265,000	0.85	75,000
June 17, 2024	300,000	0.68	—
July 31, 2024	360,000	0.56	—
August 26, 2024	300,000	0.55	45,000
September 4, 2024	725,000	0.52	60,000
January 21, 2025	50,000	0.17	—
	18,224,146		**12,223,147**

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

18. Other reserves (continued)

a) *Share-based awards (continued)*

(ii) Performance appreciation rights

The Company has established performance appreciation rights ("PAR"). Each PAR entitles the holder to purchase one common share and the Company may, in its sole discretion, replace all or part of the outstanding PARs granted with stock options on a one for one exchange basis. The Company intends to settle the PARs through equity instruments and used the Black-Scholes option pricing model to establish the fair value of the PARs to determine the amount of share-based compensation.

The number of PARs outstanding and exercisable at March 31, 2020 is as follows:

Expiry date	Number of PARs outstanding	Exercise price	Number of PARs exercisable
	#	$	#
May 15, 2020	1,790,000	0.77	1,790,000
July 3, 2023	710,000	0.77	307,666
	2,500,000		**2,097,666**

b) *Warrants*

The continuity of the Company's warrants at March 31, 2020 and June 30, 2019 is as follows:

	RTO Warrants	Brokers' RTO Warrants and Secondary Warrants	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Delivra Warrants (i)	Total number outstanding	Weighted average exercise price
							#	$
Outstanding at June 30, 2018	3,376,468	1,300,036	5,901,282	22,778,846	517,000	—	33,873,632	1.88
Issued	—	100,002	—	—	—	—	100,002	1.00
Exercised	(150,000)	(200,004)	(100)	—	—	—	(350,104)	0.86
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	2,191,502	0.83
Expired	—	—	—	(22,778,846)	—	—	(22,778,846)	2.30
Outstanding at March 31, 2020	**3,226,468**	**1,200,034**	**5,901,182**	—	**517,000**	**2,191,502**	**13,036,186**	**1.00**

(i) Delivra Warrants

In connection with the Delivra acquisition on July 3, 2019 (note 10), 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.

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

18. Other reserves (continued)

b) *Warrants (continued)*

The Company's outstanding warrants at March 31, 2020 is as follows:

	Issued	Exercised	Expired	Outstanding	Exercise price	Expiry date
	#	#	#	#	$	
Reverse Take-Over ("RTO") Warrants	16,667,000	13,440,532	—	3,226,468	1.00	Apr 27, 2020
Brokers' RTO warrants	2,000,040	1,400,008	—	600,032	0.75	Apr 27, 2020
Brokers' Secondary Warrants	600,002	100,002	—	500,000	1.00	Jan 4, 2021
Brokers' Secondary Warrants	100,002	—	—	100,002	1.00	May 3, 2022
Debenture Warrants	9,493,882	3,592,700	—	5,901,182	1.09	Dec 14, 2020
Units Offering Warrants	22,115,385	—	22,115,385	—	2.30	Jan 31, 2020
Brokers' Units Offering Warrants	663,461	—	663,461	—	2.30	Jan 31, 2020
Dream Water Warrants	517,000	—	—	517,000	1.00	May 29, 2021
Delivra Warrants	72,455	—	—	72,455	0.59	Apr 5, 2020
Delivra Warrants	2,119,047	—	—	2,119,047	0.84	Apr 5, 2020
	54,348,274	**18,533,242**	**22,778,846**	**13,036,186**		

19. Related parties

The summary of the Company's related party transactions during the three and nine months ended March 31, 2020 and 2019 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 March 31		**Nine months ended March 31**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries and benefits	**477**	349	**1,397**	829
Severance costs	—	77	**73**	864
Directors' fees	**33**	34	**99**	58
Share-based compensation	**1,067**	651	**1,914**	2,138
Total	**1,577**	1,111	**3,483**	3,889

b) *Payments to related parties*

As at March 31, 2020, there was $66 directors' fees owing (June 30, 2019 – $33) included in accounts payable and accrued liabilities.

c) *Severance payments*

During the nine months ended March 31, 2019, the Company paid $750 to the former Chief Executive Officer and $120 to the former Chief Financial Officer in accordance with the terms of their mutual separation agreements, which is included in severance and reorganization costs.

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

20. Commitments and contingencies

As at March 31, 2020, the Company's commitments that have not been disclosed elsewhere in the consolidated financial statements is as follows:

	Less than 1 year	Between 2 to 5 years	Total
	$	$	$
Purchase commitments	5,467	13,715	19,182
Capital commitments	1,049	—	1,049
	6,516	**13,715**	**20,231**

a) *Purchase commitments*

On July 1, 2019, the Company entered into a premium cannabis supply agreement with 9869247 Canada Limited ("Stevens Green"), pursuant to which Stevens Green will cultivate and harvest United Greeneries' premium cannabis genetics at their facility in Ontario. As part of this agreement, the Company has annual minimum purchase commitments. In addition, purchase commitments include amounts committed for the purchase of CBD Gelpell® capsules.

b) *Capital commitments*

On October 17, 2018, the Company entered into an agreement to purchase four custom designed modular buildings to be installed on the land adjacent to the Duncan facility. Phase one of the project has been completed, with completion of phases two and three currently on hold. The modular buildings are expected to increase the annual production capacity of harvested cannabis. In addition, capital commitments include amounts committed for the construction of the Lucky Lake Facility and for Gelpell® production equipment. In June 2020, the Company announced a transaction to divest its Duncan Facility and Mission Road Facility.

c) *Litigation*

During the nine months ended March 31, 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. A court date to hear the motions has not been set. 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, subject to a set-off claim by United Greeneries Operations and it is possible that there will be a future cash outflow made by United Greeneries Operations.

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

21. Segmented information

The Company operates in three reportable segments: cultivation (United Greeneries), medical and nutraceutical (Satipharm and PhytoTech), and consumer (Dream Water and Delivra), which is the way the Company reports information regarding segment performance, including net profit (loss), to its chief operating decision maker as of March 31, 2020.

The cultivation segment includes the cultivation and distribution of cannabis in the medical and recreational markets under the federally regulated *Cannabis Act* with a licence issued by Health Canada. The medical and nutraceutical segment includes the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe, Australia, and Argentina. 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 three months ended March 31, 2020 and 2019 are as follows:

	Three months ended March 31, 2020					Three months ended March 31, 2019				
	Cultivation	**Medical and Nutraceutical**	**Consumer**	**Corporate**	**Total**	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	**$**	$	$	$	$	$
Net revenue	**1,325**	**123**	**1,880**	**—**	**3,328**	1,929	11	1,083	—	3,023
Gross (loss) profit before fair value adjustments	**(1,041)**	**25**	**451**	**—**	**(565)**	596	(38)	483	—	1,041
Gross (loss) profit	**(1,506)**	**25**	**451**	**—**	**(1,030)**	(238)	(38)	483	—	207
Expenses	**923**	**533**	**1,175**	**3,040**	**5,671**	411	927	995	2,975	5,308
Net loss	**(2,926)**	**(524)**	**(28,307)**	**(3,653)**	**(35,410)**	(651)	(908)	(520)	(3,052)	(5,131)

The segments for the nine months ended March 31, 2020 and 2019 are as follows:

	Nine months ended March 31, 2020					Nine months ended March 31, 2019				
	Cultivation	**Medical and Nutraceutical**	**Consumer**	**Corporate**	**Total**	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	**$**	$	$	$	$	$
Net revenue	**3,112**	**529**	**5,519**	**—**	**9,160**	4,576	25	3,843	—	8,444
Gross (loss) profit before fair value adjustments	**(1,532)**	**101**	**1,126**	**—**	**(305)**	1,608	(28)	1,088	—	2,668
Gross (loss) profit	**(926)**	**101**	**1,126**	**—**	**301**	852	(28)	1,088	—	1,912
Expenses	**4,548**	**2,028**	**39,959**	**(28,260)**	**18,275**	1,344	1,899	3,229	9,239	15,711
Net loss	**(6,045)**	**(3,903)**	**(74,477)**	**27,430**	**(56,995)**	(496)	(1,881)	(2,180)	(9,701)	(14,258)

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

21. Segmented information (continued)

The Company generates net revenue from three geographical locations:

Net revenue	Three months ended March 31 2020	Three months ended March 31 2019	Nine months ended March 31 2020	Nine months ended March 31 2019
	$	$	**$**	$
Canada	**2,170**	2,054	**5,295**	4,857
US	**1,035**	958	**3,336**	3,562
Europe	**123**	11	**529**	25
Total	**3,328**	3,023	**9,160**	8,444

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

- Canada – harvested cannabis, Dream Water liquid sleep shots and sleep powder packets, and LivRelief™ pain relief creams
- US – Dream Water liquid sleep shots and sleep powder packets
- Europe – CBD Gelpell® capsules, CBD oil

The Company has the following non-current assets in three geographic locations:

Non-current assets	March 31 2020	June 30 2019
	$	$
Canada	**44,173**	51,681
US	—	10,567
Israel	**4,659**	4,659
Total	**48,832**	66,907

22. Subsequent events

a) *Issuance of Warrants to MMJ*

On April 3, 2020, the Company issued 17,083,333 common share purchase warrants (the "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. The Common Shares issuable upon the exercise of the Warrants will be subject to a four month and a day hold period expiring on August 4, 2020, in accordance with applicable Canadian securities law.

b) *Expiration of Warrants*

On April 27, 2020, 3,226,468 RTO Warrants and 600,032 Brokers' RTO Warrants with exercise prices of $1.00 and $0.75, respectively, expired unexercised.

c) *Deferral of MMJ Loan*

On June 8, 2020, Harvest One entered into an agreement with MMJ, pursuant to which MMJ has agreed to defer the repayment of its loan in the amount of $2,000 until July 17, 2020.

22. Subsequent events (continued)

d) *Sale of Duncan Facility and Related Operations*

On June 25, 2020, the Company entered into a definitive agreement (the "Acquisition Agreement") to sell its United Greeneries' licensed cannabis cultivation and processing businesses (the "Transaction") located in Duncan, British Columbia to Costa Canna Production Limited Liability Partnership ("Costa LLP") and 626875 B.C. Ltd. (together with Costa LLP, the "Purchasers") for cash consideration of $8,200. The Transaction is subject to a number of conditions, including the receipt of certain regulatory clearances and consents and the satisfaction or waiver of all conditions of closing under the Acquisition Agreement. The Transaction is anticipated to close on or around July 30, 2020.

In conjunction with the Acquisition Agreement, the Company secured a $1,500 bridge financing facility ("Bridge Facility") from Costa LLP. It is the intention of the parties that the Bridge Facility will mature and be repaid in full upon the closing of the Transaction. 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 the United Greeneries subsidiaries. In order to facilitate the availability of the Bridge Facility, MMJ has agreed to subordinate its security interest in certain of the Assets, to Costa LLP. The Bridge Facility carries a commitment fee of $25 and, if not repaid in full upon closing of the Transaction, shall bear interest at a rate of 10% per annum.