Condensed Combined Consolidated Interim Financial Statements of

Harvest One Cannabis Inc.

For the three and nine months ended

March 31, 2018 and 2017

Harvest One Cannabis Inc.

Table of contents

HARVEST ONE

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of financial position

(Expressed in Canadian dollars)
(Unaudited)

	March 31 2018	June 30 2017
	$	$
Assets		
Current assets		
Cash	**79,519,071**	14,246,320
Accounts receivable (note 5)	**479,265**	180,041
Prepaid expenses and deposits (note 6)	**378,580**	115,876
Biological assets (note 7)	**739,492**	110,489
Inventories (note 8)	**3,430,931**	1,213,684
Promissory note (note 10)	**751,315**	-
	85,298,654	15,866,410
Non-current asset		
Property, plant and equipment, net (note 9)	**9,543,441**	8,256,679
	9,543,441	8,256,679
	94,842,095	24,123,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	**1,227,632**	766,948
Due to related party (note 12)	**351,613**	234,390
	1,579,245	1,001,338
Equity		
Share capital (note 14)	**106,702,040**	33,843,668
Other reserves (note 15)	**8,288,001**	3,397,775
Accumulated other comprehensive loss	**(41,381)**	(89,019)
Accumulated deficit	**(21,685,810)**	(14,030,673)
	93,262,850	23,121,751
	94,842,095	24,123,089

Commitments (note 18)

Subsequent events (note 21)

"Jason Bednar"

Jason Bednar, Director

"Andreas Gedeon"

Andreas Gedeon, Director

HARVEST ONE

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of loss and comprehensive loss

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31		Nine months ended March 31	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue	**33,003**	9,634	**212,287**	9,634
Cost of goods sold (note 8)	**(32,086)**	(3,484)	**(192,727)**	(3,484)
Gross profit before fair value adjustments	**917**	6,150	**19,560**	6,150
Gain on changes in fair value of biological assets (note 7)	**1,143,701**	-	**804,510**	-
Gross profit	**1,144,618**	6,150	**824,070**	6,150
Operating expenses				
Depreciation and amortization	**42,736**	294,089	**62,618**	309,109
General and administration	**82,196**	155,576	**437,909**	295,504
Insurance	**34,904**	10,404	**84,743**	27,213
Marketing and investor relations	**134,813**	135,487	**448,457**	260,357
Professional and consulting services	**408,452**	192,627	**890,868**	197,417
Rent	**47,468**	54,164	**138,658**	127,295
Salaries, bonus and benefits	**699,807**	342,766	**1,729,751**	668,981
Share-based compensation (note 15)	**727,996**	110,198	**2,123,666**	365,873
Regulatory	**35,341**	4,973	**185,997**	217,360
Travel	**295,590**	241,535	**467,869**	250,557
	2,509,303	1,541,819	**6,570,536**	2,719,666
Loss from operations	**(1,364,685)**	(1,535,669)	**(5,746,466)**	(2,713,516)
Finance costs (note 13)	**(1,117,467)**	(37,706)	**(1,873,658)**	(96,628)
Foreign exchange	**56,115**	(64,675)	**(36,740)**	(124,374)
Interest income	**1,428**	2,053	**1,727**	6,130
Net loss	**(2,424,609)**	(1,635,997)	**(7,655,137)**	(2,928,388)
Foreign currency translation	**42,718**	(26,104)	**47,638**	(18,617)
Comprehensive loss	**(2,381,891)**	(1,662,101)	**(7,607,499)**	(2,947,005)
Net loss per share – basic and diluted	**(0.02)**	(0.03)	**(0.07)**	(0.06)
Weighted average number of outstanding common shares	**139,021,262**	51,000,000	**105,949,749**	51,000,000

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

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of changes in equity

(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Total
	#	$	$	$	$	$
Balance, July 1, 2016	51,000,000	4,859,005	197,143	9,990	(6,532,116)	(1,465,978)
Share-based payments	-	-	365,873	-	-	365,873
Foreign currency translation	-	-	-	(18,617)	-	(18,617)
Loss for the period	-	-	-	-	(2,928,388)	(2,928,388)
Balance, March 31, 2017	**51,000,000**	**4,859,005**	**563,016**	**(8,627)**	**(9,460,504)**	**(4,047,110)**
Balance, July 1, 2017	**89,177,458**	**33,843,668**	**3,397,775**	**(89,019)**	**(14,030,673)**	**23,121,751**
Convertible debentures issued (note 13)	-	-	7,603,657	-	-	7,603,657
Issuance costs on convertible debentures (note 13)	-	(383,540)	(491,858)	-	-	(875,398)
Convertible debentures converted (note 13)	24,773,056	16,537,133	(3,152,316)	-	-	13,384,817
Units offering (note 14)	22,115,385	40,250,000	-	-	-	40,250,000
Issuance costs on units offering (note 14)	663,461	(4,182,115)	1,207,500	-	-	(2,974,615)
Warrants exercised (note 15)	18,183,138	20,606,894	(2,400,423)	-	-	18,206,471
Share-based compensation (note 15)	-	-	2,123,666	-	-	2,123,666
Stock options exercised (note 15)	40,000	30,000	-	-	-	30,000
Foreign currency translation	-	-	-	47,638	-	47,638
Loss for the period	-	-	-	-	(7,655,137)	(7,655,137)
Balance, March 31, 2018	**154,952,498**	**106,702,040**	**8,288,001**	**(41,381)**	**(21,685,810)**	**93,262,850**

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

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of cash flows

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31		Nine months ended March 31	
	2018	2017	**2018**	2017
	$	$	**$**	$
Operating activities				
Loss for the period	**(2,424,609)**	(1,635,997)	**(7,655,137)**	(2,928,388)
Adjustments to reconcile non-cash items				
Depreciation and amortization	**278,238**	294,089	**788,263**	309,109
Inventory impairment (note 8)	**-**	-	**210,000**	-
Share-based compensation	**727,996**	110,198	**2,123,666**	365,873
Interest expense (note 13)	**1,077,982**	57,221	**1,770,577**	92,440
Gain on transformation of biological assets (note 7)	**(1,813,379)**	-	**(2,914,101)**	-
Foreign currency translation	**42,718**	-	**47,638**	-
Changes in non-cash working capital				
Accounts receivable	**(92,615)**	(144,980)	**(299,224)**	(293,362)
Inventories	**(298,178)**	(9,679)	**(142,149)**	(102,621)
Prepaid expenses and deposits	**191,324**	19,609	**(262,705)**	(8,565)
Accounts payable and accrued liabilities	**413,521**	(163,081)	**460,684**	(153,976)
	(1,897,002)	(1,472,620)	**(5,872,488)**	(2,719,490)
Investing activities				
Acquisition of property, plant and equipment (note 9)	**(1,442,298)**	(96,245)	**(2,075,025)**	(183,691)
Promissory note (note 10)	**(751,315)**	-	**(751,315)**	-
Repayment of loan to director	**-**	(1,984)	**-**	(1,984)
	(2,193,613)	(98,229)	**(2,826,340)**	(185,675)
Financing activities				
Common share units issued (note 14)	**40,250,000**	-	**40,250,000**	-
Issuance costs on share units (note 14)	**(2,974,615)**	-	**(2,974,615)**	-
Convertible debenture units issued (note 13)	**-**	-	**20,125,000**	-
Issuance costs on debentures (note 13)	**(457,756)**	-	**(1,782,500)**	-
Warrants exercised (note 15)	**17,543,305**	-	**18,206,471**	-
Stock options exercised	**30,000**	-	**30,000**	-
Repayment of borrowings	**-**	(14,773)	**-**	(58,536)
Advances from related party (note 12)	**152,067**	999,068	**117,223**	2,273,837
	54,543,001	984,295	**73,971,579**	2,215,301
Change in cash during the period	**50,452,386**	(586,554)	**65,272,751**	(689,864)
Cash, beginning of the period	**29,066,685**	777,027	**14,246,320**	880,337
Cash, end of the period	**79,519,071**	190,473	**79,519,071**	190,473

HARVEST ONE

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

1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One” or the “Company”) was originally incorporated as Harvest One Capital Inc. on August 28, 2008 under the *British Columbia Company Act* and continues under the *Business Corporations Act of British Columbia*. The Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “TSX-V”) Policy 2.4. Harvest One is a publicly traded corporation, with its head office located at 2650 – 1066 West Hastings Street, Vancouver, BC, V6E 3X1. The Company's common shares are listed on the TSX-V under the trading symbol "HVT."

On April 26, 2017, the Company acquired 100% of the issued and outstanding shares of United Greeneries Holdings Ltd. ("United Greeneries") and Satipharm AG (“Satipharm”) (the "Acquisition"). In connection with the Acquisition, the Company completed a $25,000,000 private placement and, immediately prior to the closing of the Acquisition, the Company completed a share consolidation on the basis of 1.79 pre-consolidation common shares to one post-consolidation common share. The Acquisition constituted the Company's "Qualifying Transaction" within the meaning of TSX-V policies (Note 2).

United Greeneries is a Canadian Licensed Producer and seller of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (“ACMPR”) and was formed on July 31, 2015 by way of an amalgamation pursuant to the *Business Corporations Act of British Columbia* between MMJ Bioscience Inc. (“Bioscience”), the predecessor to United Greeneries, and 1032831 BC Ltd., a wholly-owned subsidiary of PhytoTech Medical (UK) PTY Ltd. (“Phyto UK”). United Greeneries continued to operate under the name MMJ Bioscience Inc. until August 17, 2016 when it changed its name to United Greeneries Holdings Ltd.

Satipharm is a European pharmaceutical and nutraceutical company, specialized in the development, manufacturing and production of cannabis-based health and dietary products with a focus on legally accessible cannabidiol (“CBD”). Satipharm was incorporated on August 11, 2015, under the *Swiss Code of Obligations* (Switzerland).

2. Reverse take-over transaction

On April 26, 2017, pursuant to a share exchange agreement dated December 7, 2016, the Company acquired from Phyto UK, a wholly owned subsidiary of MMJ PhytoTech Limited (“MMJ”), 100% of the issued and outstanding shares of United Greeneries and Satipharm for $33,180,997 payable as follows:

a) $2,000,000 in cash; and

b) 41,574,662 common shares of the Company at $0.75 per share.

For accounting purposes, the $2,000,000 in cash paid to Phyto UK was treated as a return of equity to the original shareholder.

Further, in completing this transaction, the Company issued 11,758,671 common shares of the Company to MMJ to extinguish $8,819,003 in intercompany debts. A gain of $2,939,668 was recognized in equity on settlement of this debt in accordance with IAS 1*, Presentation of Financial Statements.*

In connection with the Acquisition, the Company completed a $25,000,000 private placement, by issuing 33,334,000 Units of the Company at $0.75 per Unit. Each Unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for an exercise price of $1.00 per share for a period of 36 months from issuance.

Immediately prior to closing of the Acquisition, the Company completed a share consolidation on the basis of 1.79 pre-consolidation common shares to one post-consolidation common share, and changed its name from Harvest One Capital Inc. to Harvest One Cannabis Inc. The Acquisition constituted the Company's

(Expressed in Canadian dollars)

2. Reverse take-over transaction (continued)

Qualifying Transaction within the meaning of TSX-V policies. Further, in connection with the completion of its Qualifying Transaction, the Company obtained final approval to list its common shares on the TSX-V as a Tier 1 Industrial or Life Sciences Issuer. The common shares began trading on the TSX-V on April 28, 2017 under the symbol "HVST", which was subsequently changed on February 2, 2018 to "HVT".

The Acquisition has been accounted for as a reverse take-over ("RTO") that does not constitute a business combination for accounting purposes. The Company's legal subsidiaries, United Greeneries and Satipharm, have been treated as the accounting acquirer and Harvest One, the legal parent, has been treated as the accounting acquiree.

Consideration transferred:

Fair value of 2,286,659 post-consolidation Harvest One shares	**$**	1,143,328
Fair value of 223,464 post-consolidation Harvest One options		148,225
		1,291,553
Net assets acquired:		
Cash		200,615
Accounts payable and accrued liabilities		(218,668)
		(18,053)
Excess attributed to cost of listing	**$**	**1,273,500**
Listing costs:		
Legal		497,367
Professional, consulting and other fees		326,642
		2,097,509

For accounting purposes, these condensed combined consolidated interim financial statements reflect a continuation of the financial position, operating results and cash flows from the Company's legal subsidiaries, United Greeneries and Satipharm.

3. Basis of presentation

a) Statement of compliance

The Company's condensed combined consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, following the same accounting policies and methods of application as those disclosed in the annual audited combined consolidated financial statements for the year ended June 30, 2017. These condensed combined consolidated interim financial statements do not include all of the information required for the full annual combined consolidated financial statements and should be read in conjunction with the annual combined consolidated financial statements of the Company for the year ended June 30, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed combined consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 30, 2018.

3. Basis of presentation (continued)

b) Basis of measurement

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

c) Basis of consolidation

These condensed combined consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of subsidiaries are prepared for the same reporting period as the parent 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 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
United Greeneries Saskatchewan Ltd.	Canada	**100%**	Consolidation
Satipharm AG Switzerland	Switzerland	**100%**	Consolidation
Satipharm Canada Limited	Canada	**100%**	Consolidation
Satipharm Australia Pty Ltd.	Australia	**100%**	Consolidation
Satipharm Europe Ltd.	U.K.	**100%**	Consolidation

The comparative figures presented in these condensed combined consolidated interim financial statements are those of the combined financial statements of United Greeneries and Satipharm and include all entities in the above table.

d) Comparative figures

The Company has reclassified certain immaterial items on the comparative condensed combined consolidated interim statement of loss and comprehensive loss to conform with current period's presentation and improve clarity.

4. Significant accounting policies

a) New and revised IFRS issued but not yet effective

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 is effective for the Company for its year ended June 30, 2019 with early adoption permitted. The Company does not anticipate any material impact from the implementation of IFRS 15 other than additional disclosure requirements.

(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

a) *New and revised IFRS issued but not yet effective (continued)*

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in November 2009 and October 2010 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard.

IFRS 7 Financial Instruments: Disclosure ("IFRS 7")

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less and the underlying asset has a low value. IFRS 16 is effective for the Company for its year ended June 30, 2020, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is assessing the impact of this standard on its financial position and financial performance however it expects it to be immaterial.

IFRS 2 Share-based Payment ("IFRS 2")

In June 2016, the IASB issued amendments to IFRS 2, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard on its financial position and financial performance.

5. Accounts receivable

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

	March 31 2018	June 30 2017
	$	$
Taxes receivable from governments	**292,743**	138,422
Trade and other receivables	**186,522**	41,619
	479,265	180,041

At the reporting date, none of the accounts receivable were impaired.

(Expressed in Canadian dollars)

6. Prepaid expenses and deposits

The summary of the Company's prepaid expenses and deposits is as follows:

	March 31 2018	June 30 2017
	$	$
Prepayments	**331,580**	73,537
Deposits	**47,000**	42,339
	378,580	115,876

7. Biological assets

The Company's biological assets consist of seeds and medical cannabis plants. The continuity of biological assets for the period ended March 31, 2018 and year ended June 30, 2017 is as follows:

	March 31 2018	June 30 2017
	$	$
Balance, beginning of the period	**110,489**	-
Purchase of seeds	**-**	20,914
Gain on transformation of biological assets	**2,914,101**	670,368
Transferred to inventory upon harvest	**(2,285,098)**	(580,793)
Balance, end of the period	**739,492**	110,489

As at March 31, 2018, included in the carrying amount of biological assets was $20,914 in seeds and $718,578 in live plants ($20,914 in seeds and $89,575 in live plants at June 30, 2017).

The Company expenses its production costs during biological transformation in the period incurred to gain on changes in fair value of biological assets.

A reconciliation of the gain on changes in fair value of biological assets for the three and nine months ended March 31, 2018 and 2017 is as follows:

	Three months ended March 31		**Nine months ended March 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Production costs	**(669,678)**	-	**(1,899,591)**	-
Inventory impairment (note 8)	**-**	-	**(210,000)**	-
Gain on transformation of biological assets	**1,813,379**	-	**2,914,101**	-
Gain on changes in fair value of biological assets	**1,143,701**	-	**804,510**	-

(Expressed in Canadian dollars)

7. Biological assets (continued)

The significant assumptions applied in determining the fair value of medical cannabis plants are as follows:

a) wastage of plants based on their various stages;

b) expected yield by strain of plant;

c) percentage of costs incurred to date compared to the estimated total costs to be incurred; and

d) percentage of costs incurred for each stage of plant growth

On average, the growth cycle of a cannabis plant up to the point of harvest is approximately12 weeks. All of the plants are to be harvested as agricultural produce (i.e. medical cannabis) and as at March 31, 2018, were 55% complete on average, compared to 37% average stage of completion as at June 30, 2017.

The fair value of biological assets is measured using Level 3 inputs. The Company estimates the harvest yields for the plants at various stages of growth. As of March 31, 2018, it is estimated that the Company's biological assets will yield approximately 107.70 kg of dry cannabis, compared to 92.51 kg of dry cannabis at June 30, 2017. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair value of the biological assets.

8. Inventories

Inventories consist of dry cannabis finished goods, CBD capsules, CBD oil, and supplies and consumables for use in the production of inventories and the transformation of biological assets, and post harvest production costs.

As at March 31, 2018, the Company held 490.65 kg of dry cannabis (June 30, 2017 – 124.79 kg).

Inventories was comprised of the following items:

	March 31 2018	June 30 2017
	$	$
Dry cannabis finished goods	**2,631,793**	571,919
Supplies and post harvest production costs	**246,314**	33,057
CBD capsules	**410,828**	608,708
CBD oil	**141,996**	-
	3,430,931	1,213,684

Cost of inventory is recognized as an expense and included in cost of goods sold. For the three and nine months ended March 31, 2018, $32,086 and $192,727, respectively, related to the cost of purchased CBD capsules (March 31, 2017 - $3,484 and $3,484)

Included in costs of goods sold for the three and nine months ended March 31, 2018 is a $1,143,701 and $804,510, respectively, gain on changes in fair value of biological assets (March 31, 2017 - $nil and $nil).

The Company regularly reviews its cannabis inventory for quality and freshness. During the nine months ended March 31, 2018, 69.27 kg of cannabis inventory did not meet the quality standards for dry bud sale and therefore will be sold as extraction grade cannabis. As a result, the Company impaired $210,000 of dry cannabis finished goods to reduce the carrying amount to its estimated net realizable value.

(Expressed in Canadian dollars)

9. Property, plant and equipment

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

	Plant & equipment	Land	Building	Leasehold improvements	Vehicles	Construction in progress	Intangibles	Total
	$	$	$	$	$	$	$	$
Cost								
July 1, 2016	2,052,543	-	1,393,600	3,021,970	-	-	-	6,468,113
Additions	341,840	431,000	2,440,381	23,618	-	50,581	32,055	3,319,475
Disposals	(2,308)	-	-	-	-	-	-	(2,308)
June 30, 2017	2,392,075	431,000	3,833,981	3,045,588	-	50,581	32,055	9,785,280
Accumulated depreciation								
July 1, 2016	65,156	-	146,792	223,489	-	-	-	435,437
Depreciation	286,997	-	43,932	763,935	-	-	890	1,095,754
Disposals	(2,590)	-	-	-	-	-	-	(2,590)
June 30, 2017	349,563	-	190,724	987,424	-	-	890	1,528,601
Net book value June 30, 2017	2,042,512	431,000	3,643,257	2,058,164	-	50,581	31,165	8,256,679
Cost								
July 1, 2017	2,392,075	431,000	3,833,981	3,045,588	-	50,581	32,055	9,785,280
Additions	456,387	963,980	-	226,333	69,125	349,175	10,025	2,075,025
March 31, 2018	2,848,462	1,394,980	3,833,981	3,271,921	69,125	399,756	42,080	11,860,305
Accumulated depreciation								
July 1, 2017	349,563	-	190,724	987,424	-	-	890	1,528,601
Depreciation	348,511	-	83,574	339,135	7,776	-	9,267	788,263
March 31, 2018	698,074	-	274,298	1,326,559	7,776	-	10,157	2,316,864
Net book value March 31, 2018	**2,150,388**	**1,394,980**	**3,559,683**	**1,945,362**	**61,349**	**399,756**	**31,923**	**9,543,441**

(Expressed in Canadian dollars)

10. Promissory note

On March 22, 2018, the Company loaned $750,000 to Dream Water Products Canada Inc. ("Dream Water Canada"). The note bears interest at 8% per annum and is due on demand upon delivery of nine month's written notice by the Company to Dream Water Canada. The balance at March 31, 2018 includes $1,315 of accrued interest.

On May 3, 2018, the Company entered into a definitive agreement to acquire all the outstanding shares of Dream Water Canada (Note 21(a)).

11. Accounts payable and accrued liabilities

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

	March 31 2018	June 30 2017
	$	$
Trade payables	**479,885**	495,932
Accruals	**685,370**	143,412
Payroll payables	**52,794**	120,439
Other payables	**9,583**	7,165
	1,227,632	766,948

Trade payables are non-interest bearing and are normally settled on a 30-day basis. Other payables are non-interest bearing and have an average term of 30 days. All amounts are expected to be settled within twelve months.

12. Due to related party

	March 31 2018	June 30 2017
	$	$
Due to related party	**351,613**	234,390

The amount due to related party is payable to MMJ and is unsecured, interest free, with no fixed term of repayment.

In May 2018, the Company repaid in full the amount due to related party as at March 31, 2018 (Note 21(b)).

(Expressed in Canadian dollars)

13. Convertible debenture units

The continuity of the Company's convertible debenture units for the period ended March 31, 2018 and year ended June 30, 2017 is as follows:

	March 31 2018	June 30 2017
	$	$
Balance, beginning of period	**-**	-
Issued	**20,729,000**	-
Equity portion	**(7,603,657)**	-
Conversion	**(13,304,437)**	-
Accretion	**179,094**	-
Balance, end of period	**-**	-

On December 14, 2017, the Company completed a bought deal financing ("the Offering") of unsecured convertible debentures units ("the Debenture Units") for the gross principal amount of $20,125,000. Each Debenture Unit consists of $1,000 principal amount unsecured convertible debentures of the Company ("the Convertible Debentures") and 458 common share purchase warrants ("Debenture Warrants") of the Company.

Each Debenture Warrant entitles the holder to acquire one common share for an exercise price of $1.09 until December 14, 2020. The Company can accelerate the expiry date of the Debenture Warrants if the closing price of the Company's common shares equals or exceeds $1.64 for ten consecutive days.

The Convertible Debentures bear interest at 8.0% per annum, payable semi-annually on June 30 and December 31 of each year and mature on December 14, 2022. The Convertible Debentures are convertible into common shares of the Company at a price of $0.84 per share, subject to forced conversion at the Company's option if the volume weighted average price ("VWAP") of the Company's common shares equals or exceeds $1.40 per share for 30 consecutive trading days.

The Company paid the underwriters a cash commission equal to 6.0% of the aggregate principal amount of the Debenture Units issued. In addition, the Company issued the underwriters 604 Debenture Units. Issuance costs have been allocated between the liability and equity components of the Debenture Units.

The liability component of the Convertible Debentures was valued using Company specific interest rates assuming no conversion features exist. The debt component was accreted to fair value over the term to maturity as a non-cash interest charge and the equity component is presented in other reserves as a separate component of equity. The Debenture Warrants were valued based on the quoted price in active markets. The residual amount after valuing the liability component of the Convertible Debentures and Debenture Warrants was allocated to the equity component of the Convertible Debentures.

On February 23, 2018, the Company exercised its option to convert the remaining principal amount of the Convertible Debentures outstanding into common shares of the Company at a price of $0.84 as the VWAP of the Company's common shares exceeded $1.40 per share for 30 consecutive trading days. The Mandatory Conversion was completed on March 28, 2018.

During the three and nine months ended March 31, 2018, the Company recorded $885,712 and $1,511,102 of deferred financing fee amortization and $111,889 and $179,094 of accretion expense which

(Expressed in Canadian dollars)

13. Convertible debenture units (continued)

are both included in finance costs. In addition, the Company paid interest of $72,041 and $87,422 and issued 14,689,276 and 24,773,056 common shares on conversion of $12,259,000 and $20,729,000 Convertible Debentures, including $80,381 in interest.

14. Share capital

a) *Authorized*

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

b) *Issued capital*

(i) On January 31, 2018, the Company completed a bought deal financing ("the Units Offering") of 22,115,385 Units at a price of $1.82 per Unit for gross proceeds of $40,250,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $2.30 per warrant until January 31, 2020.

The Company paid the underwriters a cash commission of 6.0% of the aggregate principal amount of the Units issued. In addition, the Company issued the underwriters 663,461 brokers' compensation units warrants.

(ii) During the three and nine months ended March 31, 2018, 17,579,972 and 18,183,138 common shares were issued for gross proceeds of $17,543,305 and $18,206,471 on exercise of warrants (Note 15(b)).

(iii) Upon completion of the RTO (Note 2), the Company issued a total of 41,474,662 common replacement shares to the previous shareholders of United Greeneries and Satipharm.

Concurrently with the completion of the RTO transaction, the Company settled $8,819,004 of outstanding debt (principal and interest), due from United Greeneries and Satipharm to MMJ, through the issuance of 11,758,671 common shares. The fair value of the shares issued was estimated based on the value of units issued during private placement; comprised of one common share and one-half warrant. A residual fair value method was used to determine the fair value of one common share resulting in $5,879,336 of shares being issued and a gain on debt settlement of $2,939,668 being recorded in equity in accordance with IAS 1 as the substance of the settlement was a transaction with a shareholder acting in their capacity as a shareholder (Note 2). The assumptions applied in calculating the fair value of the warrants were as follows:

Risk-free interest rate	**0.80%**
Expected life of warrants (years)	**3.00**
Expected annualized volatility	**129.00%**
Expected dividend yield	**Nil**

Further, the Company completed a concurrent private placement and issued 33,334,000 units at $0.75 per unit for gross proceeds of $25,000,500. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for an exercise price of $1.00 per warrant for a period of 36 months from issuance**.**

(Expressed in Canadian dollars)

15. Other reserves

Other reserves activity for the period ended March 31, 2018 and year ended June 30, 2017 is summarized as follows:

	Stock options	Warrants	Convertible debenture units	Other	Total
	$	$	**$**	$	$
July 1, 2016	-	-	-	197,143	197,143
Options issued	1,601,811	-	-	-	1,601,811
Vesting of share-based compensation (options issued by MMJ)	-	-		292,545	292,545
Warrants issued	-	1,306,276	-	-	1,306,276
June 30, 2017	**1,601,811**	**1,306,276**	-	**489,688**	**3,397,775**
Vesting of options issued	2,002,282	-	-	-	2,002,282
Vesting of share-based compensation (options issued by MMJ)	-	-		121,384	121,384
Warrants issued	-	4,272,247	-	-	4,272,247
Warrants exercised	-	(2,400,423)	-	-	(2,400,423)
Convertible debenture units issued	-	-	3,331,410	-	3,331,410
Issuance costs	-	715,642	-	-	715,642
Convertible debentures converted	-	-	(3,152,316)	-	(3,152,316)
March 31, 2018	**3,604,093**	**3,893,742**	**179,094**	**611,072**	**8,288,001**

a) *Stock options and share-based compensation*

The Company has established a share purchase option plan whereby the Company's directors may from time to time grant share 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, 2018 is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30, 2017	8,050,000	0.75
Granted	400,000	1.81
Exercised	(40,000)	0.75
Forfeited	(730,000)	0.75
Outstanding at March 31, 2018	**7,680,000**	**0.81**

(Expressed in Canadian dollars)

15. Other reserves (continued)

a) Stock options and share-based compensation (continued)

The following table discloses the number of options and vested options at March 31, 2018:

Number of options outstanding	Exercise price	Number of options exercisable	Expiry date
#	$	#	
7,280,000	0.75	1,790,000	April 27, 2022
400,000	1.81	-	January 9, 2023

The Company recorded $701,636 and $2,002,282 for the three and nine months ended March 31, 2018 (March 31, 2017 - $Nil and $Nil) in share-based compensation expense.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the three and nine months ended March 31, 2018 by applying the following assumptions:

Risk-free interest rate	**1.77%**
Expected life of options (years)	**3.59**
Expected annualized volatility	**94.76%**
Expected dividend yield	**Nil**

Volatility was estimated by using the historical share prices of the Company. The expected life in years represents the period of time that 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 option.

b) Warrants

The continuity of the Company's warrants at March 31, 2018 is as follows:

	Warrants	Brokers' Warrants	Secondary Warrants	Convertible debenture warrants	Units offering warrants	Brokers' compensation units warrants	Number outstanding	Weighted average exercise price
							#	$
Outstanding at June 30, 2017	16,667,000	2,000,040	-	-	-	-	18,667,040	0.97
Issued	-	-	600,002	9,493,882	22,115,385	663,461	32,872,730	1.93
Exercised	(13,290,532)	(1,200,004)	(100,002)	(3,592,600)	-	-	(18,183,138)	1.00
Outstanding at March 31, 2018	**3,376,468**	**800,036**	**500,000**	**5,901,282**	**22,115,385**	**663,461**	**33,356,632**	**1.90**

(Expressed in Canadian dollars)

15. Other reserves (continued)

b) Warrants (continued)

Warrants

In connection with the private placement on April 26, 2017, the Company issued 16,667,000 warrants (Note 14(b)).

During the three and nine months ended March 31, 2018, 12,627,366 and 13,290,532 warrants were exercised for proceeds of $12,627,366 and $13,290,532 and exchanged for 12,627,366 and 13,290,532 common shares.

Brokers' warrants and secondary warrants

In connection with the private placement on April 26, 2017, the Company issued 2,000,040 warrants to the Brokers ("Brokers' Warrants") with an exercise price of $0.75 per warrant and which expire 36 months from the date of issue. Upon exercise of the Brokers' Warrants, the Company will issue one common share and one-half common share purchase warrant ("Secondary Warrant"). Each whole Secondary Warrant will be exercisable into one common share of the Company with an exercise price of $1.00 per warrant and expire 36 months from the issuance of the Secondary Warrant.

The Company valued the warrants using the Black-Scholes option pricing model to establish the fair value of the Brokers' Warrants granted by applying the following assumptions:

Risk-free interest rate	**0.80%**
Expected life of warrant (years)	**3.00**
Expected annualized volatility	**129.00%**
Expected dividend yield	**Nil**

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable, that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that 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 warrant.

During the three and nine months ended March 31, 2018, 1,200,004 Brokers' warrants were exercised for proceeds of $900,003 and exchanged for 1,200,004 common shares. In addition, 100,002 secondary warrants were exercised for proceeds of $100,002 and exchanged for 100,002 common shares.

Convertible debenture warrants

In connection with the Offering on December 14, 2017, the Company issued 9,493,882 Debenture Warrants (Note 13).

During the three and nine months ended March 31, 2018, 3,592,600 warrants were exercised for proceeds of $3,915,934 and exchanged for 3,592,600 common shares.

Units offering warrants

In connection with the Units Offering, the Company issued 22,115,385 warrants (Note 14(b)).

(Expressed in Canadian dollars)

15. Other reserves (continued)

b) Warrants (continued)

Brokers' compensation units warrants

In connection with the Units Offering on January 31, 2018, the Company issued 663,461 warrants to the Brokers with an exercise price of $2.30 per warrant and which expire 24 months from the date of issue. Upon exercise of the Brokers' compensation units warrants, the Company will issue one common share.

c) Other

During the three and nine months ended March 31, 2018, the Company recorded $26,360 and $121,384 (March 31, 2017 - $110,198 and $365,813) in stock-based compensation expense as a result of vesting of stock options from MMJ, issued to employees of Harvest One, United Greeneries and Satipharm in previous years, whereby the Company incurred the expense as it is the primary recipient of the services provided.

16. Related parties

In addition to related party transactions described elsewhere in the notes to the financial statements, the Company had the following related party transactions:

a) Compensation of key management personnel

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

	Three months ended March 31		**Nine months ended March 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries and benefits	**273,673**	29,615	**626,773**	76,096
Consulting fees	**69,562**	-	**208,688**	-
Directors' fees	**36,000**	3,000	**108,000**	9,000
Share-based compensation	**458,293**	-	**1,462,005**	-
Total	**837,528**	32,615	**2,405,466**	85,096

16. Related parties (continued)

b) Related parties

At March 31, 2018, there was $33,000 in directors' fees (June 30, 2017 - $22,000) included in accounts payable and accrued liabilities.

During the three and nine months ended March 31, 2018, the Company paid $9,751 and $34,285 (March 31, 2017 - $Nil and $Nil) in legal fees to a company owned by a director of the Company and consulting fees of $13,750 and $20,305 (March 31, 2017 - $Nil and $Nil) to individuals related to a director and an officer of the Company.

17. Segmented information

The Company has three reportable segments, cultivation, processing and distribution and corporate, which is the way the Company reports information to its Board of Directors.

The cultivation segment includes the legal cultivation and distribution of cannabis under the federally regulated ACMPR license issued by Health Canada. Segment assets include cash, accounts receivable, prepaid expenses and deposits, biological assets, inventories, and property, plant and equipment relating to the Company's cultivation facility in Canada.

The processing and distribution segment includes the processing, manufacturing and distribution of cannabis-based food supplement products through Europe. Segment assets include cash, accounts receivable, prepaid expenses and deposits, inventories and key agreements with international partnerships for the production and distribution of its cannabinoid-based products.

The corporate segment includes corporate growth activities, administration, financial and other support to our business units.

(Expressed in Canadian dollars)

17. Segmented information (continued)

The operating segments for the three months ended March 31, 2018 and 2017 are as follows:

	Three months ended March 31, 2018				Three months ended March 31, 2017			
	Cultivation	**Processing and distribution**	**Corporate**	**Total**	Cultivation	Processing and distribution	Corporate	Total
	$	**$**	**$**	**$**	$	$	$	$
Revenue	**951**	**32,052**	**-**	**33,003**	-	9,634	-	9,634
Cost of goods sold (note 8)	**-**	**(32,086)**	**-**	**(32,086)**	-	(3,484)	-	(3,484)
Gross profit (loss) before fair value adjustments	**951**	**(34)**	**-**	**917**	-	6,150	-	6,150
Gain on changes in fair value of biological assets (note 7)	**1,143,701**	**-**	**-**	**1,143,701**	-	-	-	-
Gross profit (loss)	**1,144,652**	**(34)**	**-**	**1,144,618**	-	6,150	-	6,150
Other operating expenses	**(366,599)**	**(166,689)**	**(1,976,015)**	**(2,509,303)**	(1,181,919)	(359,900)	-	(1,541,819)
Income (loss) from operations	**778,053**	**(166,723)**	**(1,976,015)**	**(1,364,685)**	(1,181,919)	(353,750)	-	(1,535,669)
Net finance expense	**(3,433)**	**(2,254)**	**(1,110,352)**	**(1,116,039)**	-	-	(35,653)	(35,653)
Non-operating expenses	**-**	**56,262**	**(147)**	**56,115**	-	-	(64,675)	(64,675)
Net income (loss)	**774,620**	**(112,715)**	**(3,086,514)**	**(2,424,609)**	(1,181,919)	(353,750)	(100,328)	(1,635,997)

(Expressed in Canadian dollars)

17. Segmented information (continued)

The operating segments for the nine months ended March 31, 2018 and 2017 are as follows:

	Nine months ended March 31, 2018				Nine months ended March 31, 2017			
	Cultivation	**Processing and distribution**	**Corporate**	**Total**	Cultivation	Processing and distribution	Corporate	Total
	$	**$**	**$**	**$**	$	$	$	$
Revenue	**951**	**211,336**	**-**	**212,287**	-	9,634	-	9,634
Cost of goods sold (note 8)	**-**	**(192,727)**	**-**	**(192,727)**	-	(3,484)	-	(3,484)
Gross profit before fair value adjustments	**951**	**18,609**	**-**	**19,560**	-	6,150	-	6,150
Gain on changes in fair value of biological assets (note 7)	**804,510**	**-**	**-**	**804,510**	-	-	-	-
Gross profit	**805,461**	**18,609**	**-**	**824,070**	-	6,150	-	6,150
Other operating expenses	**(895,043)**	**(531,641)**	**(5,143,852)**	**(6,570,536)**	(1,887,304)	(832,362)	-	(2,719,666)
Loss from operations	**(89,582)**	**(513,032)**	**(5,143,852)**	**(5,746,466)**	(1,887,304)	(826,212)	-	(2,713,516)
Net finance expense	**(6,988)**	**(3,059)**	**(1,861,884)**	**(1,871,931)**	-	-	(90,498)	(90,498)
Non-operating expenses	**-**	**(36,593)**	**(147)**	**(36,740)**	-	-	(124,374)	(124,374)
Net loss	**(96,570)**	**(552,684)**	**(7,005,883)**	**(7,655,137)**	(1,887,304)	(826,212)	(214,872)	(2,928,388)

(Expressed in Canadian dollars)

17. Segmented information (continued)

The operating segments at March 31, 2018 and June 30, 2017 are as follows:

	March 31, 2018			
	Cultivation	**Processing and distribution**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total assets	**18,810,741**	**1,032,984**	**74,998,370**	**94,842,095**
Total liabilities	**511,183**	**16,606**	**1,051,456**	**1,579,245**

	June 30, 2017			
	Cultivation	Processing and distribution	Corporate	Total
	$	$	$	$
Total assets	22,982,446	839,094	301,549	24,123,089
Total liabilities	778,261	66,465	156,612	1,001,338

18. Commitments

The Company has a 10-year lease agreement for a ground lease on the property adjacent to the Company's current operations in Duncan, BC. The lease commenced on March 1, 2017 and the Company began paying monthly rent at a rate of $2,275 for the first five years and $2,616 for the remaining five years.

The Company entered into an agreement with GelPell AG for the exclusive marketing, distribution and sale of the GelPell capsules worldwide. As part of this agreement, the Company has yearly minimum purchase commitments.

The Company entered into a lease five-year lease agreement for office space in Vancouver, BC, commencing on February 28, 2017. The Company pays monthly rent at a rate of $10,865 under this agreement.

As at March 31, 2018, the Company's commitments that have not been disclosed elsewhere in the condensed combined consolidated interim financial statements were as follows:

	Remainder of fiscal 2018	**Fiscal 2019-2022**	**Thereafter**	**Total**
	$	$	$	$
Operating lease commitments	51,419	477,025	262,092	790,536
Purchase commitments	549,091	2,109,688	783,593	3,442,372
	600,510	**2,586,713**	**1,045,685**	**4,232,908**

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.

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 March 31, 2018, the Company is exposed to foreign currency risk through its bank accounts denominated in Swiss Francs ('CHF") and Euros ("Euro"). A 10% appreciation (depreciation) of the CHF or Euro 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 interim periods presented.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and accounts receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with financial institutions of high credit worthiness. The Company's accounts receivable are primarily receivable from government agencies. As at March 31, 2018, the Company is not exposed to any significant credit risk.

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. Included in the loss for the period in the financial statements is interest expense on convertible debentures and interest income on Canadian dollar cash. As at March 31, 2018, 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. As at March 31, 2018, the Company has $85,298,654 of current assets and $1,579,245 of current liabilities. The Company addresses its liquidity through capital market financings. 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

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and due to related party approximate their fair value due to the relatively short maturity of those instruments.

19. Financial instruments and risk (continued)

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

During the three and nine months ended March 31, 2018, there were no transfers of amounts between fair value levels.

Cash is classified as Level 1 financial instruments.

The Company's other financial instruments, including accounts receivable, accounts payable and accrued liabilities, and due to related party are carried at cost which approximates fair value due to the relatively short maturity of those instruments.

20. Capital management

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

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

21. Subsequent events

a) On May 3, 2018, the Company entered into definitive agreements to complete the acquisition of all the outstanding shares of Dream Water Canada and Sarpes Beverages LLC (dba Dream Products, LLC) ("Dream Water USA") in exchange for a combination of US $12,500,000 cash and $18,500,000 in common shares at a deemed price of $1.00 per common share, representing total consideration of approximately $34,500,000 (the "Transaction"). The Transaction closed on May 29, 2018.

b) On May 15, 2018, the Company fully repaid its outstanding amount due to related party as at March 31, 2018.

c) On May 29, 2018, the Company announced it had entered into a five-year lease agreement for premises in Aldergrove, BC for the licensed production of cannabis pursuant to the ACMPR. The lease will commence on August 1, 2018 and the Company will pay monthly rent at a rate of $69,206 under this agreement.