Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended March 31, 2021 and 2020
(in Canadian dollars)

Harvest One Cannabis Inc.

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Harvest One Cannabis Inc.

Condensed consolidated interim statements of financial position

As at March 31, 2021 and June 30, 2020

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

	Note	**March 31 2021**	June 30 2020
		$	$
Assets			
Current assets			
Cash		**5,276**	1,406
Short term investments	9	**1,879**	—
Accounts receivable	3	**3,118**	1,671
Lease receivable		**112**	100
Inventories	4	**4,895**	9,288
Prepaid expenses and deposits		**597**	898
Assets held for sale	9	—	15,050
		15,877	28,413
Lease receivable		**319**	404
Property, plant and equipment	5	**6,364**	16,392
Intangible assets	6	**6,621**	12,635
Total assets		**29,181**	57,844
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**8,351**	14,551
Loans and lease liabilities	11	**317**	3,893
Liabilities associated with assets held for sale	9	—	750
		8,668	19,194
Loans and lease liabilities	11	**2,064**	2,080
Total liabilities		**10,732**	21,274
Equity			
Share capital	13	**148,389**	146,203
Other reserves	14	**24,535**	21,800
Accumulated other comprehensive loss		**(412)**	(179)
Accumulated deficit		**(154,063)**	(134,307)
Equity attributable to Harvest One shareholders		**18,449**	33,517
Non-controlling interest	8	—	3,053
Total equity		**18,449**	36,570
Total liabilities and equity		**29,181**	57,844

Going concern (note 2(c))
Commitments and contingencies (note 17)
Subsequent event (note 22)

"Jason Bednar"
Jason Bednar, Director

"Gord Davey"
Gord Davey, Director

Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three and nine months ended March 31, 2021 and 2020

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

		Three months ended March 31		Nine months ended March 31	
	Note	**2021**	2020	**2021**	2020
		$	$	**$**	$
Revenue		**2,069**	1,880	**5,899**	5,519
Excise taxes		**42**	—	**114**	—
Net revenue	18	**2,027**	1,880	**5,785**	5,519
Inventory expensed to cost of sales		**1,282**	1,429	**3,570**	4,393
Inventory write-down	4	**—**	—	**22**	—
Gross profit		**745**	451	**2,193**	1,126
Expenses					
General and administration	12	**1,528**	2,067	**5,153**	7,724
Sales and marketing		**202**	367	**552**	1,327
Acquisition costs		**—**	—	**—**	33
Research and development		**—**	25	**—**	223
Depreciation and amortization		**551**	534	**1,665**	1,585
Share-based compensation	14(a)	**(353)**	1,222	**239**	2,428
Severance and reorganization costs	15(c)	**—**	—	**163**	345
Asset impairment and write-downs	5(a)	**(485)**	27,465	**8,700**	35,365
		1,443	31,680	**16,472**	49,030
Loss from operations		**(698)**	(31,229)	**(14,279)**	(47,904)
Other (expense) income					
Unrealized loss on fair valuation of investment		**(245)**	—	**(245)**	—
Loss on disposal of assets	8	**(11)**	(388)	**(11)**	(388)
Interest and finance costs		**(27)**	(362)	**(272)**	(511)
Loss on investment in associate		**—**	28	**—**	(195)
Foreign exchange loss		**(129)**	(9)	**(129)**	(14)
		(412)	(731)	**(657)**	(1,108)
Net loss from continuing operations		**(1,110)**	(31,960)	**(14,936)**	(49,012)
Loss from discontinued operations	19	**(606)**	(3,450)	**(4,820)**	(7,983)
Net loss		**(1,716)**	(35,410)	**(19,756)**	(56,995)
Other comprehensive loss					
Foreign currency translation		**101**	285	**(233)**	108
Comprehensive loss		**(1,615)**	(35,125)	**(19,989)**	(56,887)
Net loss attributable to:					
Harvest One Cannabis Inc.		**(1,716)**	(35,364)	**(19,756)**	(56,616)
Non-controlling interests	8	**—**	(46)	**—**	(379)
Comprehensive loss attributable to:					
Harvest One Cannabis Inc.		**(1,615)**	(35,079)	**(19,989)**	(56,508)
Non-controlling interests	8	**—**	(46)	**—**	(379)
Net loss per share – basic and diluted		**(0.01)**	(0.16)	**(0.09)**	(0.26)
Weighted average number of outstanding common shares		**221,148,418**	214,753,073	**217,072,931**	214,497,526

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 changes in equity

For the nine months ended March 31, 2021 and 2020

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

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total
		#	$	$	$	$	$	$
Balance, July 1, 2019		185,819,851	125,093	18,042	(139)	(54,450)	4,589	93,135
Common shares issued for services		987,013	471	—	—	—	—	471
Common shares issued for acquisition	7(a)	28,272,622	20,639	—	—	—	—	20,639
Options and warrants issued for acquisition	7(a), 14	—	—	1,255	—	—	—	1,255
Share-based compensation	14	—	—	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
Balance, July 1, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Bought deal units issued	13(b), 14(b)	37,096,700	2,101	2,529	—	—	—	4,630
Share-based compensation	14	—	—	239	—	—	—	239
Options exercised	13(b), 14(a)	616,669	85	(33)	—	—	—	52
Foreign currency translation		—	—	—	(233)	—	—	(233)
Change in ownership interests in subsidiaries		—	—	—	—	—	(3,053)	(3,053)
Net loss		—	—	—	—	(19,756)	—	(19,756)
Balance, March 31, 2021		**252,792,855**	**148,389**	**24,535**	**(412)**	**(154,063)**	—	**18,449**

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 nine months ended March 31, 2021 and 2020
(Unaudited – Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	**2021**	2020
		Nine months ended March 31	
		$	$
Operating activities			
Net loss		**(19,756)**	(56,995)
Adjustments to reconcile non-cash items			
Depreciation and amortization		**2,106**	2,119
Asset impairment and write-downs		**8,700**	37,331
Impairment loss on remeasurement of disposal group	19	**1,311**	—
Inventory write-down	5	**1,248**	1,532
(Gain) loss on disposal of assets		**(255)**	1,088
Unrealized loss on fair valuation of investment		**245**	—
Share-based compensation	14	**239**	2,428
Issuance of common shares for services		—	471
Interest and accretion on loans and borrowings	11	**271**	274
Loss from investment in associate		—	195
Unrealized change in fair value of biological assets	19	—	(3,267)
Realized fair value amounts included in inventory sold	19	**657**	2,661
Fair value adjustment in inventory expensed to cost of sales		—	1,176
Changes in working capital			
Cash reclassed as asset held for sale		**(18)**	(48)
Accounts and lease receivable		**(6)**	931
Inventories		**1,502**	(6,185)
Prepaid expenses and deposits		**153**	(203)
Accounts payable and accrued liabilities		**(4,672)**	(1,774)
Net cash used in operating activities		**(8,275)**	(18,266)
Investing activities			
Purchase of property, plant and equipment	5	**(28)**	(4,854)
Proceeds from sale of assets held for sale	9	**11,250**	—
Proceeds from sale of property, plant and equipment		**26**	948
Proceeds from sale short term investment	9	**359**	—
Purchase of intangible assets		—	(22)
Proceeds from sale of investment in associate	8	—	1,513
Investment in and loan to associate		—	(250)
Acquisition of businesses, net of cash acquired		—	86
Net cash provided by (used in) investing activities		**11,607**	(2,579)
Financing activities			
Bought deal units issued		**4,630**	—
Stock options exercised		**52**	—
Proceeds from loans and borrowings	15(a), (b)	—	2,000
Repayment of loans and borrowings	11	**(3,863)**	(294)
Net cash provided by financing activities		**819**	1,706
Effect of foreign exchange on cash		**(281)**	(181)
Change in cash during the period		**3,870**	(19,320)
Cash, beginning of the period		**1,406**	20,301
Cash, end of the period		**5,276**	981

Supplemental cash flow information (note 16)

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 located at 404 – 999 Canada Place, Vancouver, BC, V6C 3E2. Harvest One's common shares are listed on the TSX Venture Exchange under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group ("OTCQX") under the symbol "HRVOF".

These consolidated financial statements as at and for the three and nine months ended March 31, 2021 and 2020 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: Dream Water Global ("Dream Water") and Delivra Corp. ("Delivra"), which comprise the Company's consumer segment. The Company's cultivation as well as medical and nutraceutical segments were sold during the period ended March 31, 2021 (see note 9). Both segments are presented within discontinued operations during the periods ended March 31, 2021 and 2020 (see note 19).

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, 2020. 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, 2020, 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 May 27, 2021.

b) *COVID-19 Estimation Uncertainty*

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses. The Company's total net revenue from continuing operations have increased by an average of 5% since the last fiscal quarter. Furthermore, net revenue of continuing operations for the three and nine months ended March 31, 2021 have increased by 8% and 5% compared the same periods in the prior year. The production and sale of cannabis have been recognized as essential services across Canada and Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things impairment of long-lived assets including property, plant and equipment and intangible assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

In summary, the Company has not experienced a significant downturn in demand for its products in connection with the pandemic to date, nor has it experienced any failure to secure critical supplies or services. However, travel restrictions have impacted the overall performance of the Company, specifically in certain busy hubs and channels that the Company's products are available in. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future.

c) *Basis of accounting – going concern*

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

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

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

2. Significant accounting policies (continued)

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

The Company had a consolidated net loss of $1,716 and $19,756 for the three and nine months ended March 31, 2021, negative operating cash flows of $8,275 for the nine months ended March 31, 2021 and an accumulated deficit of $154,063 as at March 31, 2021. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

d) *Basis of measurement*

These condensed consolidated interim financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These condensed consolidated interim financial statements have been prepared using the accrual method except for cash flow information.

e) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. 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 Operations Ltd.	Canada	100%	Consolidation
United Greeneries Saskatchewan Ltd.	Canada	100%	Consolidation
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
Delivra Corp.	Canada	100%	Consolidation
Delivra Inc.	Canada	100%	Consolidation
Delivra Pharmaceuticals Inc.	Canada	100%	Consolidation
LivCorp Inc.	Canada	100%	Consolidation
LivCorp International Inc.	Canada	100%	Consolidation
LivVet Inc.	Canada	100%	Consolidation
PortaPack Ltd.	Canada	100%	Consolidation

3. Accounts receivable

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

	March 31 2021	June 30 2020
	$	$
Trade receivables	**1,288**	1,339
Other receivables	**1,685**	—
Taxes recoverable from governments	**145**	332
	3,118	1,671

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

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

3. Accounts receivable (continued)

Recognized within other receivables, is $1,500 of consideration relating to the sale of the Company's wholly-owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities"), to be received when certain conditions have been met (note 9).

4. Inventories

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

	March 31 2021	June 30 2020
	$	$
Cannabis		
Raw materials and work-in-progress	**2,661**	3,698
Finished goods	**388**	1,005
	3,049	4,703
CBD capsules and oils		
Raw materials and work-in-progress	—	313
Finished goods	—	2,353
	—	2,666
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	**21**	23
Finished goods	**791**	1,619
	812	1,642
Pain relief creams		
Raw materials and work-in-progress	**868**	612
Finished goods	**319**	275
	1,187	887
Packaging and supplies	**564**	840
Inventory allowance	**(717)**	(1,450)
	4,895	9,288

a) *Inventory allowance*

Due to estimation uncertainties attributable to COVID-19, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, during the nine months ended March 31, 2021, the Company recognized an inventory valuation allowance of $717 (2020 – $nil).

b) *Inventory write-down*

During the three and nine months ended March 31, 2021, the Company recognized a write-down of $nil and $22, respectively (2020 – $nil and $nil). Inventory write-downs of $nil and $1,226 were recognized during the three and nine months ended March 31, 2021 on inventory within discontinued operations (note 19) (2020 – $nil and $1,532).

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

5. Property, plant and equipment

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

	Plant and equipment	Office equipment	Building and leasehold improvements	Land	Construction in progress	Right-of-use assets	Total
	$	$	$	$	$	$	$
Cost							
July 1, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Additions	609	50	127	—	8,355	954	10,095
Additions from Delivra acquisition (note 7)	481	—	—	—	—	—	481
Transfers to assets held for sale	(2,469)	(81)	(7,153)	(892)	(2,952)	(137)	(13,684)
Disposals and write-downs	(2,165)	(117)	(4,854)	(964)	(3,547)	(663)	(12,310)
June 30, 2020	1,026	387	—	—	15,202	154	16,769
Accumulated depreciation							
July 1, 2019	495	211	356	—	—	—	1,062
Depreciation	340	139	270	—	—	188	937
Transfers to assets held for sale	(291)	(50)	(341)	—	—	(18)	(700)
Disposals and write-downs	(467)	(80)	(285)	—	—	(90)	(922)
June 30, 2020	77	220	—	—	—	80	377
Net book value							
June 30, 2020	949	167	—	—	15,202	74	16,392
Cost							
July 1, 2020	1,026	387	—	—	15,202	154	16,769
Additions	—	2	—	—	26	—	28
Transfers to assets held for sale (note 9)	(546)	(30)	—	—	—	—	(576)
Disposals and write-downs	—	(3)	—	—	(8,726)	—	(8,729)
Recovery of costs	—	—	—	—	(600)	—	(600)
March 31, 2021	480	356	—	—	5,902	154	6,892
Accumulated depreciation							
July 1, 2020	77	220	—	—	—	80	377
Depreciation	56	62	—	—	—	50	168
Transfers to assets held for sale (note 9)	—	(16)	—	—	—	—	(16)
Disposals and write-downs	—	(1)	—	—	—	—	(1)
March 31, 2021	133	265	—	—	—	130	528
Net book value							
March 31, 2021	**347**	**91**	**—**	**—**	**5,902**	**24**	**6,364**

5. Property, plant and equipment (continued)

Of total depreciation of $50 and $168 (2020 – $99 and $549) recorded during the three and nine months ended March 31, 2021, $50 and $165 (2020 – $87 and $285) was recorded as depreciation expense from continuing operations, and $nil and $3 (2020 – $12 and $264) was recorded as depreciation expense from discontinued operations. In addition, $nil and $nil (2020 – $90 and $272) was capitalized to cannabis inventory and subsequently recognized as production costs.

a) *Construction in progress*

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

Management recognized the continued suspension of active development of the Lucky Lake facility as an indicator of impairment. During the three and nine months ended March 31, 2021, the Company recognized an impairment recovery of $469 and an impairment loss of $8,700, respectively, on construction in progress based on the market value of comparable facilities. In addition, the Company received $26 cash from the sale of equipment capitalized to construction in progress.

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

b) *Right-of-use assets*

The Company adopted IFRS 16 – Leases effective July 1, 2019. During the nine months ended March 31, 2021, the Company recognized $nil (2020 – $954) right-of-use asset additions. As at March 31, 2021, all right-of-use assets pertain to building and leasehold improvements.

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

6. Intangible assets

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

	Brand names	Technology and formulations	In-process R&D	Customer relationships	Website and other	Total
	$	$	$	$	$	$
Cost						
July 1, 2019	4,190	—	4,659	1,540	206	10,595
Additions	—	—	—	—	22	22
Additions from Delivra acquisition (note 7)	1,853	2,286	470	—	—	4,609
Transfer to technology and formulations	—	4,659	(4,659)	—	—	—
Disposals and writedowns	—	(132)	—	—	(90)	(222)
June 30, 2020	6,043	6,813	470	1,540	138	15,004
Accumulated amortization						
July 1, 2019	—	—	—	239	22	261
Amortization	1,007	892	—	220	17	2,136
Disposals and writedowns	—	(28)	—	—	—	(28)
June 30, 2020	1,007	864	—	459	39	2,369
Net book value						
June 30, 2020	5,036	5,949	470	1,081	99	12,635
Cost						
July 1, 2020	6,043	6,813	470	1,540	138	15,004
Transfers to assets held for sale (note 9)	—	(3,347)	—	—	—	(3,347)
Disposals and writedowns (note 9)	—	(1,311)	—	—	—	(1,311)
March 31, 2021	6,043	2,155	470	1,540	138	10,346
Accumulated amortization						
July 1, 2019	1,007	864	—	459	39	2,369
Amortization	756	995	—	165	22	1,938
Transfers to assets held for sale (note 9)	—	(582)	—	—	—	(582)
March 31, 2021	1,763	1,277	—	624	61	3,725
Net book value						
March 31, 2021	**4,280**	**878**	**470**	**916**	**77**	**6,621**

Of total amortization of $501 and $1,938 (2020 – $445 and $1,298) recorded during the three and nine months ended March 31, 2021, $501 and $1500 (2020 – $445 and $1,298) was recorded as amortization expense from continuing operations, and $nil and $438 (2020 – $nil and $nil) was recorded as amortization expense from discontinued operations.

a) *Disposals and write-downs*

On February 16, 2021, the Company announced a transaction sell all of the issued and outstanding shares of the Satipharm Entities. As a result, an impairment loss of $1,311 was recognized on intangible assets upon remeasurement and $2,765 of intangible assets was classified as assets held for sale (note 9).

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

7. Business combinations

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

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

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

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

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

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

8. Non-controlling interests

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

Company's ownership interest (%)		50.1%
Balance, June 30, 2019	$	4,589
Share of loss for the year ended June 30, 2020		(1,536)
Balance, June 30, 2020		3,053
Share of loss for the period ended March 31, 2021		—
Sale of non-controlling interest in Greenbelt		(3,053)
Balance, March 31, 2021		—

9. Assets held for sale

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

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

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

On March 10, 2021, the Company completed the sale of all the issued and outstanding shares of its wholly-owned subsidiaries, Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. to Cann Group Limited. ("Cann Group") for ordinary shares of the Cann Group representing total aggregate consideration of approximately $4,000 (the "Satipharm Transaction"). As at March 31, 2021, Harvest One has received $2,500 of Cann Group shares, with the remaining $1,500 to be received when certain conditions have been met. These conditions are as follows:

(a) $750 to be received upon delivery of certain machinery, equipment and accessories to be manufactured or produced and delivered by Gelpell AG ("Gelpell") to Cann Group,
(b) $750 to be received as three earn-out payments upon meeting certain financial conditions during the January 1, 2021 to June 30, 2021 period as follows:
    i. lower of: (a) 0.20 multiplied by the net revenue and (b) $250
    ii. lower of (a) 1.14 multiplied by the gross profit and (b) $250
    iii. lower of: (a) $250 and (b) $250 reduced by one dollar for each dollar the EBITDA loss is greater than the assumed EBITDA loss of $887

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

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

Balance, June 30, 2020	$	—
Additions		2,500
Disposal of shares, gross of brokerage fees		(362)
Realized loss on disposal		(9)
Unrealized loss on changes in fair value		(245)
Unrealized loss on foreign exchange		(5)
Balance, March 31, 2021		**1,879**

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

9. Assets held for sale (continued)

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

	March 31 2021	June 30 2020
	$	$
Cash	—	88
Accounts receivable	—	7
Inventories	—	1,058
Biological assets	—	811
Prepaid expenses and deposits	—	102
Property, plant and equipment	—	12,984
Intangible assets	—	—
Accounts payable and accrued liabilities	—	(432)
Loans and lease liabilities	—	(318)
	—	14,300

During the nine months ended March 31, 2021, the Company recognized a $1,311 (2020 – $1,966) impairment charge upon classifying these assets as held for sale based on the fair market value of the assets.

The summary of the Company's asset sales completed during the nine months ended March 31, 2021 is as follows:

	United Greeneries	Greenbelt	Satipharm Entities	Total
	$	$	$	$
Consideration received				
Cash	8,200	6,100	—	14,300
Shares	—	—	4,000	4,000
Less: non-controlling interest	—	(3,050)	—	(3,050)
	8,200	**3,050**	**4,000**	**15,250**
Net assets held for sale				
Cash	—	88	18	106
Accounts receivables	—	7	101	108
Prepaid expenses and deposits	93	9	243	345
Inventories	1,058	—	1,041	2,099
Biological assets	811	—		811
Property, plant and equipment	6,367	6,617	557	13,541
Intangible assets	—	—	2,915	2,915
Accounts payable and accrued liabilities	—	(432)	(875)	(1,307)
Loans and lease liabilities	(129)	(189)		(318)
Net assets held for sale	8,200	6,100	4,000	18,300
Less: non-controlling interest	—	(3,050)	—	(3,050)
	8,200	**3,050**	**4,000**	**15,250**
Gain/loss on sale				
Cash	8,200	3,050	—	11,250
Shares	—	—	4,000	4,000
Less: net assets sold	(8,200)	(3,050)	(4,000)	(15,250)
	—	—	—	—

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

10. Accounts payable and accrued liabilities

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

	March 31 2021	June 30 2020
	$	$
Trade payables	**6,075**	10,745
Accrued liabilities	**1,362**	2,607
Payroll liabilities	**226**	342
Other payables	**688**	857
	8,351	14,551

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

11. Loans and lease liabilities

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

	Notes	**March 31 2021**	June 30 2020
		$	$
Secured and unsecured loans	(a)	**1,923**	3,249
Secured loan from related party	(b)	—	2,139
Lease liabilities	(c)	**458**	585
Total loans and lease liabilities		**2,381**	5,973
Current portion		**(317)**	(3,893)
Non-current portion		**2,064**	2,080

a) *Secured and unsecured loans*

In connection with the Delivra acquisition on July 3, 2019 (note 7), the Company assumed eight unsecured loans from the Atlantic Canada Opportunities Agency ("ACOA") and one secured loan from Finance PEI. The loan with Finance PEI are secured by a registered General Security Agreement conveying an interest in all personal property of the Company's subsidiary, LivCorp Inc., and a limited guarantee by Delivra Inc. to a maximum of the principal amount of debt outstanding together with accrued interest.

The summary of the secured and unsecured loans at March 31, 2021 is as follows:

	Effective Interest Rate	Maturity	Face Value	Balance, July 1, 2020	Accretion	Repayments	**Total**
			$	$	$	$	**$**
Balance, July 1, 2020							—
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,054	138	—	**1,192**
ACOA 201246	16%	2019	17	—	—	—	—
ACOA 202454	16%	2022	85	56	6	(7)	**55**
ACOA 203110	16%	2024	197	127	15	(10)	**132**
ACOA 205145	16%	2020	37	17	2	(5)	**14**
ACOA 206091	16%	2022	76	51	6	(6)	**51**
ACOA 206924	16%	2025	117	71	9	(5)	**75**
ACOA 207593	16%	(i)	484	360	44	—	**404**
Finance PEI	9%	2020	47	13	—	(13)	—
Balance, March 31, 2021			3,920	1,749	220	(46)	**1,923**

(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.

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

11. Loans and lease liabilities (continued)

a) *Secured and unsecured loans*

The summary of the secured and unsecured loans at June 30, 2020 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	(10)	—	**1,054**
ACOA 201246	16%	2019	17	3	2	(5)	—
ACOA 202454	16%	2022	85	62	9	(15)	**56**
ACOA 203110	16%	2024	197	134	20	(27)	**127**
ACOA 205145	16%	2020	37	27	3	(13)	**17**
ACOA 206091	16%	2022	76	55	8	(12)	**51**
ACOA 206924	16%	2025	117	71	11	(11)	**71**
ACOA 207593	16%	(i)	484	306	54	—	**360**
Finance PEI	9%	2020	47	35	1	(23)	**13**
Balance, June 30, 2020			3,920	1,757	98	(106)	**1,749**

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

On June 25, 2020, the Company secured a $1,500 bridge financing facility ("Bridge Facility") from Costa Canna Production Limited Liability Partnership ("Costa LLP") to be repaid upon the closing of the sale of the Duncan Transaction (note 9). On August 26, 2020, the Company repaid the Bridge Facility in full upon the completion of the sale of the cultivation facilities located in Duncan (the "Duncan Facility") and Mission Road (the "Mission Road Facility").

b) *Secured loan from related party*

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

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

11. Loans and lease liabilities (continued)

c) *Lease liabilities*

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

Balance, June 30, 2018	$	240
Recognition of lease liabilities on initial application of IFRS 16		882
Adjusted balance, July 1, 2019		1,122
Additions on acquisition of Delivra		72
Interest expense on lease liabilities		135
Lease payments		(363)
Transfer to liabilities associated with assets held for sale		(318)
Termination of lease liability		(63)
Balance, June 30, 2020		585
Interest expense on lease liabilities		55
Lease payments		(182)
Balance, March 31, 2021		458
Current portion		(149)
Non-current portion		**309**

For the three and nine months ended March 31, 2021, the Company recorded $61 and $65 rent expense relating to short term leases.

12. 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**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Insurance	**113**	97	**355**	331
Investor relations	**9**	32	**73**	338
Office and general	**103**	136	**295**	523
Professional and consulting services	**408**	326	**1,773**	1,224
Regulatory	**5**	13	**26**	59
Rent	**61**	17	**65**	82
Salaries, bonus and benefits	**829**	1,380	**2,558**	4,750
Travel	—	66	**8**	417
	1,528	2,067	**5,153**	7,724

13. Share capital

a) *Authorized*

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

b) *Issued capital*

During the three and nine months ended March 31, 2021, 616,669 stock options were exercised at an exercise price of $0.085 per share.

On March 17, 2021, the Company issued 37,096,700 units of the Company (the "Bought Deal Units") at a price of $0.155 per Bought Deal Unit. Each Bought Deal Unit consists of one common share of the Company and one common share purchase warrant (a "Bought Deal Warrant") (note 14). In connection with the issuance of the Bought Deal Units, the Company recognized $1,341 of share issuance costs against share capital, of which $1,120 was cash and $221 was in the form of options (a "Bought Deal Compensation Option") recorded to other reserves (note 14).

At March 31, 2021, 252,792,855 common shares (June 30, 2020 – 215,079,486) were issued and fully paid.

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

14. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2019	7,710	9,517	815	18,042
Share-based compensation	2,022	—	—	2,022
Acquisition of Delivra (note 7)	920	335	—	1,255
Warrants issued	—	481	—	481
Balance, June 30, 2020	10,652	10,333	815	21,800
Share-based compensation	239	—	—	239
Options exercised	(33)	—	—	(33)
Bought deal warrants issued	—	2,308	—	2,308
Bought deal compensation options	221	—	—	221
Balance, March 31, 2021	**11,079**	**12,641**	**815**	**24,535**

a) *Share-based awards*

(i) Stock options

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

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

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30, 2019	17,785,000	0.79
Granted	4,342,918	0.80
Expired	(3,712,683)	0.77
Forfeited	(7,831,922)	0.77
Outstanding at June 30, 2020	10,583,313	0.82
Granted	12,420,000	0.08
Exercised	(616,669)	0.09
Expired	(727,702)	1.00
Forfeited	(8,181,077)	0.42
Outstanding at March 31, 2021	**13,477,865**	**0.41**

During the nine months ended March 31, 2021, the Company granted a total of 12,420,000 stock options under the Plan to certain new directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of $0.08 to $0.09 for a period of five years following the grant date.

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

14. Other reserves (continued)

a) *Share-based awards (continued)*

(i) Stock options (continued)

The weighted average fair value per option granted in the nine months ended March 31, 2021 was $0.08 (2020 – $0.80). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted during the nine months ended March 31, 2021 and 2020 by applying the following assumptions:

	March 31 2021	March 31 2020
Risk-free interest rate	**0.31% – 0.48%**	1.22% – 1.80%
Expected life of options (years)	**3.59**	0.6 – 4.3
Expected annualized volatility	**103.60% – 104.68%**	75.00% – 92.50%
Expected dividend yield	**Nil**	Nil

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

The number of options outstanding and exercisable under the Plan at March 31, 2021 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
October 3, 2021	92,969	1.26	92,969
December 19, 2021	434,350	1.26	434,350
April 27, 2022	1,350,000	0.75	1,350,000
January 24, 2023	877,625	0.76	877,625
May 28, 2023	518,750	0.84	468,750
September 18, 2023	700,000	0.91	466,667
October 12, 2023	297,500	0.61	297,500
April 22, 2024	1,086,670	0.85	506,672
June 17, 2024	150,000	0.68	50,000
July 31, 2024	300,000	0.56	158,334
September 4, 2024	50,000	0.52	23,611
July 14, 2025	6,120,001	0.09	2,373,339
December 7, 2025	1,500,000	0.08	—
	13,477,865		**7,099,817**

(ii) Bought Deal Compensation Options

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

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

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

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

14. Other reserves (continued)

b) *Warrants*

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

	RTO Warrants	Brokers' RTO Warrants, Secondary Warrants	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Delivra Warrants	MMJ Warrants	Bought Deal Warrants (i)	Total number outstanding	Weighted average exercise price
									#	$
Outstanding at June 30, 2019	3,226,468	1,200,034	5,901,182	22,778,846	517,000	—	—	—	33,623,530	1.89
Issued	—	—	—	—	—	2,191,502	17,083,333	—	19,274,835	0.15
Expired	(3,226,468)	(600,032)	—	(22,778,846)	—	(2,191,502)	—	—	(28,796,848)	2.01
Outstanding at June 30, 2020	—	600,002	5,901,182	—	517,000	—	17,083,333	—	24,101,517	0.36
Issued	—	—	—	—	—	—	—	37,096,700	37,096,700	0.20
Expired	—	(500,000)	(5,901,182)	—	—	—	—	—	(6,401,182)	1.08
Outstanding at March 31, 2021	**—**	**100,002**	**—**	**—**	**517,000**	**—**	**17,083,333**	**37,096,700**	**54,797,035**	**0.16**

(i) <u>Bought Deal Warrants</u>

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

The fair value of the Bought Deal Warrants was estimated using the relative fair value method and the following assumptions:

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

The Company's outstanding warrants at March 31, 2021 is as follows:

	Issued	Exercised	Expired	Outstanding	Exercise price	Expiry date
	#	#	#	#	$	
Brokers' Secondary Warrants	600,002	100,002	500,000	—	1.00	Jan 4, 2021
Brokers' Secondary Warrants[1]	100,002	—	—	100,002	1.00	May 3, 2022
Dream Water Warrants	517,000	—	—	517,000	1.00	May 29, 2021
MMJ Warrants	17,083,333	—	—	17,083,333	0.06	Apr 3, 2022
Bought Deal Warrants	37,096,700	—	—	37,096,700	0.20	Mar 17, 2024
	64,890,919	**3,692,702**	**6,401,182**	**54,797,035**		

[1] Upon exercise of the Brokers' RTO Warrants, the Company will issue one common share and one-half common share purchase warrant ("Brokers' Secondary Warrant"). Each whole Brokers' 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 issuance.

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

15. Related parties

The summary of the Company's related party transactions during the three and nine months ended March 31, 2021 and 2020 is as follows:

a) *Compensation of key management personnel*

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

	Three months ended March 31		Nine months ended March 31	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries and benefits	**144**	369	**617**	920
Severance costs	—	73	**150**	73
Directors' fees	**60**	33	**170**	66
Share-based compensation	**(4)**	416	**257**	847
Total	**200**	891	**1,194**	1,906

b) *Payments to related parties*

As at March 31, 2021, there was $60 directors' fees (June 30, 2020 – $117) and $45 bonus payments (June 30, 2020 – $643) included in accounts payable and accrued liabilities.

c) *Severance payments*

During the nine months ended March 31, 2021, the Company paid $150 to the former Chief Operating Officer and General Counsel in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs.

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

16. Supplemental cash flow information

Additional supplementary cash flow information for the nine months ended March 31, 2021 and 2020 is as follows:

	March 31 2021	March 31 2020
	$	$
Additions to property, plant and equipment included in in accounts payable	—	4,124
Additions to right of use assets	—	954
Forgiveness of loan to associate	—	256
Common shares issued for acquisitions (note 7)	—	20,639
Options and warrants issued for acquisitions (note 7)	—	1,255
Share consideration received for sale of the Satipharm Entities (note 9)	**2,500**	—
Bought deal unit issuance costs	**221**	—
Transfer of other reserves to share capital upon exercise of options	**33**	
Interest paid	**245**	107

17. Commitments and contingencies

During the year ended June 30, 2020, United Greeneries Operations Ltd. ("United Greeneries Operations"), a subsidiary of the Company, was named as the defendant in a civil claim (the "Claim") filed in the Supreme Court of British Columbia in respect of the termination of the lease agreement for land and property in Aldergrove, British Columbia in August 2018. The plaintiff filed a summary trial motion in March 2020 in which it seeks an order for damages for breach of the lease agreement plus court costs and statutory pre-judgment interest. In June 2020, United Greeneries Operations filed a response in defense of the Claim and filed its own summary trial motion. On December 14, 2020, the defendant and plaintiff attended a summary judgement hearing in the BC Supreme Court, at which time the plaintiff advised of its intention to amend their pleadings and, as a result, the parties agreed to adjourn the then summary judgment hearing until such time as the plaintiff issued their amended pleadings and the hearing can be rescheduled. Management's assessment, based on its interpretation of the agreement and independent legal advice, is that the plaintiff may be partly successful with the Claim up to $415 , subject to a set-off claim by United Greeneries Operations against the plaintiff seeking the return of a $70 deposit paid in accordance with the terms of the lease and possession of certain security and electronic equipment held by the plaintiff, and it is possible that there will be a future cash outflow made by United Greeneries Operations.

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

18. Segmented information

The Company operates in two reportable segments: consumer (Dream Water and Delivra) and corporate, which is the way the Company reports information regarding segment performance, including net profit (loss), to its chief operating decision maker as at March 31, 2021.

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

The segments for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Consumer	**Corporate**	**Total**	Consumer	Corporate	Total
	$	**$**	**$**	$	$	$
Net revenue	**2,027**	—	**2,027**	1,880	—	1,880
Gross profit	**745**	—	**745**	451	—	451
Expenses	**839**	**604**	**1,443**	28,640	3,040	31,680
Net loss from continuing operations	**(195)**	**(915)**	**(1,110)**	(28,307)	(3,653)	(31,960)

The segments for the nine months ended March 31, 2021 and 2020 are as follows:

	Nine months ended March 31, 2021			Nine months ended March 31, 2020		
	Consumer	**Corporate**	**Total**	Consumer	Corporate	Total
	$	**$**	**$**	$	$	$
Net revenue	**5,785**	—	**5,785**	5,519	—	5,519
Gross profit	**2,193**	—	**2,193**	1,126	—	1,126
Expenses	**2,365**	**14,107**	**16,472**	39,955	9,075	49,030
Net loss from continuing operations	**(414)**	**(14,522)**	**(14,936)**	(39,112)	(9,900)	(49,012)

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

18. Segmented information (continued)

The Company generates net revenue from two geographical locations:

	Three months ended March 31		**Nine months ended March 31**	
Net revenue	**2021**	2020	**2021**	2020
	$	$	**$**	$
Canada	**888**	845	**2,767**	2,183
US	**1,139**	1,035	**3,018**	3,336
Total	**2,027**	1,880	**5,785**	5,519

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

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

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

Non-current assets other than financial instruments	**March 31 2021**	June 30 2020
	$	$
Canada	**13,304**	24,918
Israel	—	4,513
Total	**13,304**	29,431

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

19. Discontinued operation

Following the Strategic Review announced in February 2020, management committed to a plan to sell certain components of its cultivation segment as well as its medical and nutraceutical segment.

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

	Three months ended March 31		Nine months ended March 31	
	2021	2020	**2021**	2020
	$	$	**$**	$
Net revenue	**(56)**	1,448	**912**	3,641
Cost of sales				
Production costs	**56**	663	**511**	1,869
Inventory expensed to cost of sales	**92**	269	**392**	1,671
Inventory write-down	**—**	1,532	**1,226**	1,532
Gross profit before fair value adjustments	**(204)**	(1,016)	**(1,217)**	(1,431)
Realized fair value amounts included in inventory sold	**54**	1,730	**657**	2,661
Unrealized change in fair value of biological assets	**—**	(1,265)	**—**	(3,267)
Gross loss	**(258)**	(1,481)	**(1,874)**	(825)
Expenses	**424**	1,456	**1,878**	6,576
Other (expense) income				
Loss on remeasurement of disposal group	**—**	—	**(1,311)**	—
Gain (loss) on disposal of assets	**131**	(587)	**266**	(700)
Interest and finance costs	**(54)**	88	**(61)**	126
Foreign exchange (loss) gain	**(1)**	(14)	**38**	(8)
Loss from discontinued operations	**(606)**	(3,450)	**(4,820)**	(7,983)

a) *Expenses*

Included within expenses for the three and nine months ended March 31, 2021 are amortization of $nil and $441, respectively (2020 – $10 and $262). Included within expenses for the nine months ended March 31, 2020 are impairment charges on long-lived assets of $1,966.

b) *Loss on remeasurement of disposal group*

During the nine months ended March 31, 2021, the Company recognized a $1,311 loss in connection with the remeasurement of the disposal group. Specifically, the $1,311 loss was recognized from the write down of intangible assets.

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

19. Discontinued operation (continued)

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

	Nine months ended March 31	
	2021	2020
	$	$
Net cash (used in) provided by operating activities	**(11,880)**	2,785
Net cash provided (used in) by investing activities	**11,250**	(3,554)
Net cash used in financing activities	—	(54)
Effect of foreign exchange on cash	**368**	(606)
Change in cash during the period	**(262)**	(1,429)

20. Financial instruments and risk

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

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at March 31, 2021, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at March 31, 2021, the Company is not exposed to any significant credit risk.

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

	March 31 2021	June 30 2020
	$	$
0 – 60 days	**790**	1,090
61 – 120 days	**498**	249
	1,288	1,339

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2021, the Company is not exposed to any significant interest rate risk.

20. Financial instruments and risk (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of $15,877 and current liabilities of $8,668. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

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

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

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

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

During the period ended March 31, 2021, there were no transfers of amounts between fair value levels.

Cash is classified as a Level 1 financial instrument.

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

21. Capital management

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

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period ended March 31, 2021.

22. Subsequent events

a) *Stock Option Grants*

On April 8, 2021, the Company granted an aggregate of 5,995,000 incentive stock options under the Company's Plan to certain directors, officers and employees of the Company. The options are exercisable at a price of $0.12 per share and will have a term of five years from the date of issuance.