



Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three months ended September 30, 2021 and 2020
(in Canadian dollars)

Harvest One Cannabis Inc.

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Harvest One Cannabis Inc.

Notice to reader

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of financial position

As at September 30, 2021 and June 30, 2021

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

	Note	September 30 2021	June 30 2021
		\$	\$
Assets			
Current assets			
Cash		4,226	4,431
Accounts receivable	3	1,303	2,020
Short term investments	4	567	711
Lease receivable		120	116
Inventories	5	2,315	2,279
Prepaid expenses and deposits		262	278
		8,793	9,835
Lease receivable		257	288
Property, plant and equipment	6	2,700	2,908
Intangible assets	7	5,556	6,032
Total assets		17,306	19,063
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	6,521	6,924
Loans and lease liabilities	9	446	312
		6,967	7,236
Loans and lease liabilities	9	1,638	1,850
Total liabilities		8,605	9,086
Equity			
Share capital	11	148,226	148,226
Other reserves	12	25,031	24,882
Accumulated other comprehensive loss		(257)	(286)
Accumulated deficit		(164,299)	(162,845)
Total equity		8,701	9,977
Total liabilities and equity		17,306	19,063

Going concern (note 2(c))
Subsequent events (note 19)

“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 months ended September 30, 2021 and 2020

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

		For the three months ended September 30	
	Note	2021	2020
			\$
Revenue		2,159	1,964
Excise taxes		29	57
Net revenue	14	2,130	1,907
Inventory expensed to cost of sales		1,421	1,166
Inventory write-down		-	197
Gross (loss) profit		709	544
Expenses			
General and administration	10	1,075	1,975
Sales and marketing		412	206
Depreciation and amortization		537	798
Share-based compensation	12	149	392
Severance and reorganization costs		-	163
		2,173	3,534
Loss from operations		(1,464)	(2,990)
Other (expense) income			
Interest and finance costs		(10)	(149)
Loss on assets disposal	3,6	(67)	-
Gain from contingency debt settlement and other refunds	18	244	-
Unrealized loss/gain on short term investment	4	(144)	-
Foreign exchange loss		(13)	27
		10	(122)
Net loss from continuing operations		(1,454)	(3,112)
Loss (profit) from discontinued operation	15	-	(642)
Net loss		(1,454)	(3,754)
Other comprehensive loss			
Foreign currency translation		29	(472)
Comprehensive loss		(1,425)	(4,226)
Net loss attributable to:			
Harvest One Cannabis Inc.		(1,454)	(3,754)
Non-controlling interests	16	-	-
Comprehensive loss attributable to:			
Harvest One Cannabis Inc.		(1,425)	(4,226)
Non-controlling interests	16	-	-
Net loss per share – basic and diluted		(0.01)	(0.02)
Weighted average number of outstanding common shares		252,617,854	215,079,486

Harvest One Cannabis Inc.

Condensed consolidated interim statements of changes in equity

For the three months ended September 30, 2021 and 2020

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

	Note	Number of shares #	Share capital \$	Other reserves \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Non-controlling interest \$	Total \$
Balance, July 1, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Share-based compensation	12	-	-	392	-	-	-	392
Foreign currency translation		-	-	-	(472)	-	-	(472)
Net loss		-	-	-	-	(3,754)	-	(3,754)
Balance, September 30, 2020		215,079,486	146,203	22,192	(651)	(138,061)	3,053	32,736
Balance, June 30, 2021		252,617,854	148,226	24,882	(286)	(162,845)	-	9,977
Share-based compensation	12	-	-	149	-	-	-	149
Foreign currency translation		-	-	-	29	-	-	29
Net loss		-	-	-	-	(1,454)	-	(1,454)
Balance, September 30, 2021		252,617,854	148,226	25,031	(257)	(164,299)	-	8,701

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows

For the three months ended September 30, 2021 and 2020

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

		For the three months ended	
	Note	2021	2020
			\$
Operating activities			
Net loss		(1,454)	(3,754)
Adjustments to reconcile non-cash items		-	-
Depreciation and amortization	6,7	537	798
Inventory write-down	5	-	307
Unrealized loss on fair valuation of investment	4	144	-
Share-based compensation	12	149	392
Loss on disposal of assets	3,6	67	-
Interest and accretion on loans and borrowings	9	(4)	121
Realized fair value amounts included in inventory sold	15	-	565
Changes in working capital		-	-
Accounts and lease receivable		13	31
Inventories		(36)	727
Prepaid expenses and deposits		16	273
Accounts payable and accrued liabilities		(403)	(2,736)
Net cash used in operating activities		(971)	(3,276)
Investing activities			
Purchase of property, plant and equipment		(4)	-
Proceeds from sale of property, plant and equipment	6	104	8,200
Purchase of intangibles		(8)	-
Proceeds from Cann Group shares	3	719	-
Net cash provided by investing activities		811	8,200
Financing activities			
Repayment of loans and borrowings	9	(74)	(3,734)
Net cash used in financing activities		(74)	(3,734)
Effect of foreign exchange on cash		29	(587)
Change in cash during the period		(205)	603
Cash, beginning of the year		4,431	1,406
Cash, end of the period		4,226	2,009

Supplemental information:

- 1) During the three months ended September 30, 2021, the interest paid on lease liabilities was \$14 (2020: \$20)
- 2) During the three months ended September 30, 2021, the interest received on lease receivables was \$14 (2020: \$18)

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One”) is a publicly traded corporation, incorporated in Canada, with its head office located at 504 – 999 Canada Place, Vancouver, BC, V6C 3E1. Harvest One’s common shares are listed on the TSX Venture Exchange under the symbol “HVT” and on the OTCQX® Best Market operated by OTC Market Group (“OTCQX”) under the symbol “HRVOF”.

These unaudited condensed consolidated interim financial statements as at and for the three months ended September 30, 2021 and 2020 include Harvest One and its subsidiaries (together referred to as “the Company”).

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

2. Significant accounting policies

a) Basis of presentation

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 29, 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 for the three months ended September 30th, 2021 increased approximately 12% compared with the same period last year. The production and sale of cannabis have been recognized as essential services across Canada and Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company’s consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things impairment of long-lived assets including property, plant and equipment and intangible assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

To date, the Company has not experienced a significant downturn in demand for its products in connection with the pandemic, nor has it experienced any failure to secure critical supplies or services. However, travel restrictions have impacted the overall performance of the Company. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future. The COVID-19 pandemic presents several unpredictable variables on the economy and the markets within which the Company operates, making it difficult to accurately forecast upcoming results. In spite of this, the Company’s core focus will be monitoring the development of COVID-19 to focus its resources on navigating and adapting to the situation as it unfolds. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future.

c) Basis of accounting – going concern

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

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

2. Significant accounting policies (continued)

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

The Company had a consolidated net loss of \$1,454 and negative operating cash flows of \$971 for the three months ended September 30, 2021 and an accumulated deficit of \$164,299 as at September 30, 2021. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

d) *Basis of measurement*

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

e) *Basis of consolidation*

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

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

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

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

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

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

settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

3. Accounts receivable

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

	September 30 2021	June 30 2021
	\$	\$
Trade receivables	1,152	1,256
Other receivables	-	731
Taxes recoverable from governments	151	33
	1,303	2,020

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

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

4. Short term investments

The Company's short term investments is composed of by the Cann Group shares (total number of shares: 2,248,615 shares) received relating to the sale of the Company's wholly owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. (collectively, the "Satipharm Entities"), the shares are valued at the closing share price at the end of the reporting period.

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

Balance, June 30, 2020	\$	-
Additions		2,500
Disposal of shares, net of brokerage fees		(1,027)
Realized loss on disposal		(137)
Unrealized loss on changes in fair value		(603)
Unrealized loss on foreign exchange		(22)
Balance, June 30, 2021		711
Unrealized loss on changes in fair value		(144)
Balance, September 30, 2021		567

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

5. Inventories

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

	September 30 2021	June 30 2021
	\$	\$
Cannabis infused pain relief creams		
Raw materials and work-in-progress	1,961	2,017
Finished goods	10	220
	1,971	2,237
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	429	101
Finished goods	404	579
	833	680
Pain relief creams		
Raw materials and work-in-progress	335	624
Finished goods	668	254
	1,003	878
Packaging and supplies	253	229
Inventory allowance	(1,745)	(1,745)
	2,315	2,279

a) *Cannabis infused pain relief creams*

Cannabis infused inventory on hand at September 30, 2021 pertains to extracted cannabis for use in the outsourced development and sale of Cannabis 2.0 products by the Company's manufacturer and distributor.

b) *Allowance and write-downs*

During the three months ended September 30, 2021, the inventory write-down was nil (2020: \$307). Due to estimation uncertainties attributable to COVID-19 and forecasting including slow moving and expiry dates, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, as at September 30, 2021, the Company recognized an inventory valuation allowance of \$1,745 (September 2020 – \$1,371).

6. Property, plant and equipment

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

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
	\$	\$	\$	\$	\$
Cost					
July 1, 2020	1,026	387	15,202	154	16,769
Additions	-	7	21	-	28
Transfers to assets held for sale	(546)	(27)	-	-	(573)
Disposals and write-downs	-	(25)	(12,112)	-	(12,137)
Recovery of costs	-	-	(600)	-	(600)
June 30, 2021	480	342	2,511	154	3,487

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

6. Property, plant and equipment (Continued)

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
Accumulated depreciation					
July 1, 2020	77	220	-	80	377
Depreciation	76	81	-	62	219
Transfers to assets held for sale	-	(16)	-	-	(16)
Disposals and write-downs	-	(1)	-	-	(1)
June 30, 2021	153	284	-	142	579
Net book value					
June 30, 2021	327	58	2,511	12	2,908
Cost					
July 1, 2021	480	342	2,511	154	3,487
Additions	-	5	-	-	5
Disposal	-	-	(159)	-	(159)
September 30, 2021	480	347	2,352	154	3,333
Accumulated depreciation					
July 1, 2021	153	284	-	142	579
Depreciation	19	23	-	12	54
September 30, 2021	172	307	-	154	633
Net book value					
September 30, 2021	308	40	2,352	-	2,700

i) Construction in progress relates to the construction of a 68,000 square foot indoor flowering facility at the Lucky Lake property in Saskatchewan. The Company has suspended active development of its Lucky Lake facility since the beginning of the Strategic Review in February 2020 and continues to evaluate all strategic alternatives and potential sales of additional non-essential assets, including its Lucky Lake facility.

During the three months ended September 30, 2021, the Company disposed \$158 of capitalized costs under construction in process and received \$103 proceeds from the disposal with a \$55 loss on disposal.

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

7. Intangible assets

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

	Brand names	Technology & formulations	In-process R&D	Customer relationships	Website & other	Total
Cost	\$	\$	\$	\$	\$	\$
July 1, 2020	6,043	6,813	470	1,540	138	15,004
Transfers to assets held for sale	-	(2,729)	-	-	-	(2,729)
Disposals and write-downs	-	(1,930)	(72)	-	(15)	(2,017)
June 30, 2021	6,043	2,154	398	1,540	123	10,258
Accumulated amortization						
July 1, 2020	1,007	864	-	459	39	2,369
Amortization	1,007	1,181	-	220	31	2,439
Transfers to assets held for sale	-	(582)	-	-	-	(582)
June 30, 2021	2,014	1,463	-	679	70	4,226
Net book value						
June 30, 2021	4,029	691	398	861	53	6,032
Cost						
July 1, 2020	6,043	6,813	470	1,540	138	15,004
Cost						
July 1, 2021	6,043	2,154	398	1,540	123	10,258
Additions	-	-	-	-	8	8
September 30, 2021	6,043	2,154	398	1,540	123	10,266
Accumulated amortization						
July 1, 2021	2,014	1,463	-	679	70	4,226
Amortization	252	151	-	73	8	484
September 30, 2021	2,266	1,614	-	752	78	4,710
Net book value						
September 30, 2021	3,777	540	398	788	45	5,556

8. Accounts payable and accrued liabilities

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

	September 30 2021	June 30 2021
	\$	\$
Trade payables	4,243	4,869
Accrued liabilities	1,344	1,189
Payroll liabilities	81	331
Other payables	853	535
	6,521	6,924

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

9. Loans and lease liabilities

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

	Notes	September 30 2021	June 30 2021
		\$	\$
Secured and unsecured loans	(a)	1,707	1,744
Lease liabilities	(b)	377	418
Total loans and lease liabilities		2,084	2,162
Current portion		(446)	(312)
Non-current portion		1,638	1,850

a) Secured and unsecured loans

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

	Effective Interest Rate	Maturity	Face Value \$	Balance, July 1, 2021 \$	Accretion \$	Repayments \$	Total \$
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,057	43	-	1,100
ACOA 202454	16%	2023	85	45	2	(7)	40
ACOA 203110	16%	2024	197	112	4	(10)	106
ACOA 205145	16%	2021	37	6	-	(5)	1
ACOA 206091	16%	2023	76	41	1	(6)	36
ACOA 206924	16%	2026	117	63	2	(5)	60
ACOA 207593	16%	(i)	484	420	(56)	-	364
Balance, September 30, 2021			3,856	1,744	(4)	(33)	1,707

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

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

9. Loans and lease liabilities (continued)

b) Lease liabilities

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

Balance, June 30, 2020	585
Interest expense on lease liabilities	71
Lease payments	(238)
Balance, June 30, 2021	418
Interest expense on lease liabilities	14
Lease payments	(55)
Balance, September 30, 2021	377
Current portion	(120)
Non-current portion	257

For the period ended September 30, 2021, the Company recorded \$2 rent expense relating to short term leases.

10. General and administration expenses

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

	September 30 2021	September 30 2020
	\$	\$
Insurance	43	152
Investor relations	19	24
Office and general	110	116
Professional and consulting services	239	659
Regulatory	3	9
Rent	2	14
Salaries, bonus and benefits	651	997
Travel	8	4
	1,075	1,975

11. Share capital

a) Authorized

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

b) Issued capital

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

Harvest One Cannabis Inc.

Notes to the condensed consolidated interim financial statements

For the three months ended September 30, 2021 and 2020

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

12. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	\$	\$	\$	\$
Balance, June 30, 2020	10,652	10,333	815	21,800
Share-based compensation	577	-	-	577
Options exercised	(24)	-	-	(24)
Units issued	-	2,308	-	2,308
Units issued - issuance costs	221	-	-	221
Balance, June 30, 2021	11,426	12,641	815	24,882
Warrants issued	-	17	-	17
Share-based compensation	132	-	-	132
Balance, September 30, 2021	11,558	12,661	815	25,031

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, 2021	18,479,112	0.31
Granted	18,415,000	0.10
Exercised	(441,668)	0.09
Expired	(727,702)	1.00
Forfeited	(9,349,831)	0.42
Outstanding at June 30, 2021	18,479,112	0.31
Granted	-	-
Expired	-	-
Forfeited	(689,998)	0.50
Outstanding at September 31, 2021	17,789,114	0.30

During the three months ended September 30, 2021, there were no new stock options granted.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted during the three months ended September 30, 2021 by applying the following assumptions:

	September 30 2021	September 30 2020
Risk-free interest rate	0.31% – 0.65%	0.31%
Expected life of options (years)	3.34	3.59
Expected annualized volatility	103.60% – 123.24%	103.60%
Expected dividend yield	Nil	Nil

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12. Other reserves (continued)

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

The number of options outstanding and exercisable at September 30, 2021 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	\$	#
October 3, 2021 ⁽¹⁾	92,969	1.26	92,969
December 19, 2021	434,350	1.26	434,350
April 27, 2022	1,150,000	0.75	1,150,000
January 24, 2023	877,625	0.76	877,625
September 18, 2023	700,000	0.91	700,000
October 12, 2023	297,500	0.61	297,500
April 22, 2024	871,667	0.85	630,001
June 17, 2024	150,000	0.68	100,000
July 31, 2024	300,000	0.56	216,666
September 4, 2024	50,000	0.52	33,334
July 14, 2025	5,370,003	0.09	3,821,672
December 7, 2025	1,500,000	0.08	-
April 8, 2026	5,995,000	0.12	3,039,444
	17,789,114		11,393,561

(1) Expired unexercised subsequent to September 30, 2021.

(ii) Compensation Options

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

b) Warrants

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

	Brokers' RTO Warrants, Secondary Warrants	Debtenture Warrants	Units Offering and Brokers' Offering Warrants	Dream Water Warrants	Jonathan Carroll Warrants(ii)	MMJ Warrants	Bought Deal Warrants (i)	Total number outstanding	Weighted average exercise price
								#	\$
Outstanding at June 30, 2020	600,002	5,901,182	-	517,000	-	17,083,333	-	24,101,517	0.36
Issued	-	-	-	-	-	-	37,096,700	37,096,700	0.20
Expired	(500,000)	(5,901,182)	-	(517,000)	-	-	-	(6,918,182)	1.16
Outstanding at June 30, 2021	100,002	-	-	-	-	17,083,333	37,096,700	54,280,035	0.15
Issued	-	-	-	-	300,000	-	-	300,000	0.09
Outstanding at June 30, 2021	100,002	-	-	-	300,000	17,083,333	37,096,700	54,580,035	0.15

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12. Other reserves (continued)

(i) MMJ Warrants

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

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

(ii) Jonathan Carroll Warrants

On July 26, 2021, the Company announced that it engaged an arm’s length service provider, Jonathan Carroll (the “Consultant”) to provide strategic advisory and consulting services to the Company (the “Consulting Services”) for a 24-month period. As partial consideration for the Consulting Services, the Company will grant an aggregate of 1,500,000 warrants (the “Warrants”) to purchase common shares of the Company (the “Common Shares”) to the Consultant in accordance with the provisions of the consulting agreement. On September 27, 2021, the Company issued 300,000 warrants of the total grant of 1,500,000 warrants. Each Warrant will entitle the holder to purchase one common share in the capital of the Company (each a “Common Share”) at a price of \$0.09 with an expiry date of September 23, 2023. The fair value of the Jonathan Carroll Warrants in the amount of \$17 was estimated using the following assumptions:

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

The Company’s outstanding warrants as of September 30, 2021 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
	#	#	\$	
Brokers’ Secondary Warrants	100,002	100,002	1.00	May 3, 2022
MMJ Warrants	17,083,333	17,083,333	0.06	Apr 3, 2022
Bought Deal Warrants	37,096,700	37,096,700	0.20	Mar 17, 2024
Jonathan Carroll Warrants	300,000	300,000	0.09	Sept 23, 2023
	54,580,035	54,580,035		

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13. Related parties

The summary of the Company's related party transactions during the three months ended September 30, 2021 and 2020 is as follows:

a) Compensation of key management personnel

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

	September 30 2021	September 30 2020
	\$	\$
Salaries and benefits	161	230
Severance costs	-	150
Directors' fees	60	48
Share-based compensation	100	183
Total	321	611

b) Payments to related parties

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

c) Severance payments

During the three months ended September 30, 2021, the severance payment was nil (2020: \$150).

14. Revenue and other geographical information

The Company generates net revenue from three geographical locations:

Net revenue	September 30 2021	September 30 2020
	\$	\$
Canada	891	983
US	1,239	839
Europe	-	85
Total	2,130	1,907

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
- Europe – CBD Gelpell® capsules, CBD oil

The following illustrates the Company's non-current assets, other than financial instruments by two geographic locations:

Non-current assets other than financial instruments	September 30 2021	September 30 2020
	\$	\$
Canada	8,513	24,340
Israel	-	4,271
Total	8,513	28,611

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15. Discontinued operations

Following the Strategic Review announced in February 2020, management committed to a plan to sell all components of its cultivation segment. As at September 30, 2020, the Company's 50.1% ownership interest in Greenbelt has been classified as held for sale.

The cultivation segment was 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.

	September 30 2020
	\$
Net revenue	658
Cost of sales	
Production costs	416
Inventory expensed to cost of sales	29
Inventory write-down	110
Gross profit before fair value adjustments	103
Realized fair value amounts included in inventory sold	565
Unrealized change in fair value of biological assets	-
Gross (loss) profit	(462)
Expenses	307
Other (expense) income	
Gain on disposal of assets	47
Interest and finance costs	80
(Loss) profit from discontinued operation	(642)

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

	September 30 2020
	\$
Net cash used in operating activities	(8,337)
Net cash used in investing activities	8,193
Net cash used in financing activities	—
Change in cash during the period	(144)

16. Non-controlling interests

The Greenbelt's non-controlling interest was sold during the year ended June 30, 2021, in the three months ended September 30, 2020, the continuity was as follows:

Company's ownership interest (%)	50.1%
Balance, June 30, 2019	\$ 4,589
Share of loss for the year ended June 30, 2020	(1,536)
Balance, June 30, 2020	3,053
Share of loss for the three months ended September 30, 2020	—
Balance, September 30, 2020	3,053

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17. Segment information

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

	Three months ended September 30, 2020			
	Medical and Nutraceutical	Consumer	Corporate	Total
	\$	\$	\$	\$
Net revenue	85	1,822	—	1,907
Gross profit	99	445	—	544
Expenses	444	767	2,323	3,534
Net loss from continuing operations	(312)	(398)	(2,402)	(3,112)

18. 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 September 30, 2021, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at September 30, 2021, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

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

	September 30 2021	June 30 2021
	\$	\$
0 – 60 days	791	876
Over 60 days	361	380
	1,152	1,256

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18. Financial instruments and risk (Continued)

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 September 30, 2021, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of \$8,793 and current liabilities of \$6,967. 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 September 30, 2021, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument.

The Company's other financial instruments, including accounts receivable, 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.

19. Subsequent events

During the year ended June 30, 2020, 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. Management's assessment as of June 30, 2021, based on its interpretation of the agreement and independent legal advice, was that the plaintiff may be partly successful with the Claim up to \$250, subject to a set-off claim by United Greeneries Operations against the plaintiff seeking the return of a \$70 deposit paid in accordance with the terms of the lease and possession of certain security and electronic equipment held by the plaintiff. The Company has accrued \$250 as at June 30, 2021. In November 2021, the two parties reached an agreement to settle the entire claim in the amount of \$35, which resulted in a \$215 gain as a reduction in the Company's liabilities.