# Harvest One Cannabis Inc.

## Condensed Consolidated Interim Financial Statements
## (Unaudited)

For the three and nine months ended March 31, 2022 and 2021

(in Canadian dollars)

# Harvest One Cannabis Inc.

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## 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 March 31, 2022 and June 30, 2021

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

| | Note | **March 31 2022** | June 30 2021 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| Current assets | | | |
| Cash | | **1,649** | 4,431 |
| Accounts receivable | 3 | **1,857** | 2,020 |
| Short term investments | 4 | **25** | 711 |
| Lease receivable | | **129** | 116 |
| Inventories | 5 | **2,344** | 2,279 |
| Prepaid expenses and deposits | | **195** | 278 |
| | | **6,199** | 9,835 |
| Lease receivable | | **190** | 288 |
| Property, plant and equipment | 6 | **2,639** | 2,908 |
| Intangible assets | 7 | **4,171** | 6,032 |
| Total assets | | **13,199** | 19,063 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | **5,624** | 6,924 |
| Loans and lease liabilities | 9 | **441** | 312 |
| | | **6,065** | 7,236 |
| Loans and lease liabilities | 9 | **1,659** | 1,850 |
| Total liabilities | | **7,724** | 9,086 |
| **Equity** | | | |
| Share capital | 11 | **148,226** | 148,226 |
| Other reserves | 12 | **25,175** | 24,882 |
| Accumulated other comprehensive loss | | **(321)** | (286) |
| Accumulated deficit | | **(167,605)** | (162,845) |
| Total equity | | **5,475** | 9,977 |
| Total liabilities and equity | | **13,199** | 19,063 |

Going concern (note 2(c))

***"Jason Bednar"***
Jason Bednar, Director

***"Gord Davey"***
Gord Davey, Director



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

# Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three and nine months ended March 31, 2022 and 2021

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

| | | Three months ended March 31 | | Nine months ended March 31 | |
|---|---|---|---|---|---|
| | Note | **2022** | 2021 | **2022** | 2021 |
| | | **$** | $ | **$** | $ |
| Revenue | | **2,363** | 2,069 | **6,284** | 5,899 |
| Excise taxes | | **(24)** | (42) | **(67)** | (114) |
| Net revenue | 14 | **2,339** | 2,027 | **6,217** | 5,785 |
| Inventory expensed to cost of sales | | **1,399** | 1,282 | **3,761** | 3,570 |
| Inventory write-down | 5 | **26** | - | **187** | 22 |
| Gross profit | | **914** | 745 | **2,296** | 2,193 |
| Expenses | | | | | |
| General and administration | 10 | **1,240** | 1,528 | **3,472** | 5,153 |
| Sales and marketing | | **307** | 202 | **1,321** | 552 |
| Depreciation and amortization | | **527** | 551 | **1,592** | 1,665 |
| Share-based compensation | 12 | **57** | (353) | **294** | 239 |
| Severance and reorganization costs | 13 | **-** | - | **-** | 163 |
| Asset impairment and write-downs | 6 | **398** | (485) | **398** | 8,700 |
| | | **2,529** | 1,443 | **7,077** | 16,472 |
| Loss from operations | | **(1,615)** | (698) | **(4,808)** | (14,279) |
| Other (expense) income | | | | | |
| Unrealized loss/reclassification on fair valuation of investment | | **596** | (245) | **486** | (245) |
| Loss on disposal of assets | 3,4,6 | **(625)** | (11) | **(692)** | (11) |
| Interest and finance costs | | **(117)** | (27) | **(198)** | (272) |
| Gain from debt/AP settlement and other refunds | | **96** | - | **483** | - |
| Foreign exchange loss | | **(12)** | (129) | **(31)** | (129) |
| | | **(62)** | (412) | **48** | (657) |
| Net loss from continuing operations | | **(1,677)** | (1,110) | **(4,760)** | (14,936) |
| Loss from discontinued operations | 15 | **-** | (606) | **-** | (4,820) |
| Net loss | | **(1,677)** | (1,716) | **(4,760)** | (19,756) |
| Other comprehensive loss | | | | | |
| Foreign currency translation | | **(45)** | 101 | **(35)** | (233) |
| **Comprehensive loss** | | **(1,722)** | (1,615) | **(4,795)** | (19,989) |
| Net loss attributable to: | | | | | |
| Harvest One Cannabis Inc. | | **(1,677)** | (1,716) | **(4,760)** | (19,756) |
| Comprehensive loss attributable to: | | | | | |
| Harvest One Cannabis Inc. | | **(1,722)** | (1,615) | **(4,795)** | (19,989) |
| **Net loss per share – basic and diluted** | | **(0.01)** | (0.01) | **(0.02)** | (0.09) |
| **Weighted average number of outstanding common shares** | | **252,617,854** | 221,148,418 | **252,617,854** | 217,072,931 |



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, 2022 and 2021

(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 |
| Bought deal units issued | 11,12 | 37,096,700 | 2,101 | 2,529 | - | - | - | 4,630 |
| Share-based compensation | 12 | - | - | 239 | - | - | - | 239 |
| Options exercised | 11,12 | 616,669 | 85 | (33) | - | - | - | 52 |
| Foreign currency translation | | - | - | - | (233) | - | - | (233) |
| Change in ownership interests in subsidiaries | 16 | - | - | - | - | - | (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 |
| Balance, July 1, 2021 | | 252,617,854 | 148,226 | 24,882 | (286) | (162,845) | - | 9,977 |
| Share-based compensation | 12 | - | - | 293 | - | - | - | 293 |
| Foreign currency translation | | - | - | - | (35) | - | - | (35) |
| Net loss | | - | - | - | - | (4,760) | - | (4,760) |
| **Balance, March 31, 2022** | 11 | **252,617,854** | **148,226** | **25,175** | **(321)** | **(167,605)** | **-** | **5,475** |



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, 2022 and 2021

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

| | Note | **Nine months ended March 31** **2022** | 2021 |
|---|---|---|---|
| | | **$** | $ |
| **Operating activities** | | | |
| Net loss | | **(4,760)** | (19,756) |
| Adjustments to reconcile non-cash items | | | |
| Depreciation and amortization | | **1,592** | 2,106 |
| Asset impairment and write-downs | 7 | **398** | 8,700 |
| Impairment loss on remeasurement of disposal group | 15 | **-** | 1,311 |
| Inventory write-down | 5 | **129** | 1,248 |
| (Gain) loss on disposal of assets | 3,4,6 | **692** | (255) |
| Unrealized loss/reclassification on fair valuation of investment | | **(486)** | 245 |
| Share-based compensation | 12 | **294** | 239 |
| Interest and accretion on loans and borrowings | 9 | **133** | 271 |
| Gain on loan forgiveness | | **(78)** | - |
| Realized fair value amounts included in inventory sold | 15 | **-** | 657 |
| Changes in working capital | | **-** | |
| Cash reclassed as asset held for sale | | **-** | (18) |
| Accounts and lease receivable | | **(483)** | (6) |
| Inventories | | **(193)** | 1,502 |
| Prepaid expenses and deposits | | **83** | 153 |
| Accounts payable and accrued liabilities | | **(1,223)** | (4,672) |
| Net cash used in operating activities | | **(3,902)** | (8,275) |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 6 | **(10)** | (28) |
| Proceeds from sale of assets held for sale | 18 | **-** | 11,250 |
| Proceeds from sale of property, plant and equipment | 6 | **104** | 26 |
| Purchase of intangibles | 7 | **(12)** | - |
| Proceeds from sale short term investment | 4 | **1,268** | 359 |
| Net cash provided by (used in) investing activities | | **1,350** | 11,607 |
| | | | |
| **Financing activities** | | | |
| Bought deal units issued | | **-** | 4,630 |
| Stock options exercised | | **-** | 52 |
| Repayment of loans and borrowings | 9 | **(195)** | (3,863) |
| Net cash provided by financing activities | | **(195)** | 819 |
| | | | |
| Effect of foreign exchange on cash | | **(35)** | (281) |
| Change in cash during the period | | **(2,782)** | 3,870 |
| Cash, beginning of the period | | **4,431** | 1,406 |
| **Cash, end of the period** | | **1,649** | 5,276 |

Supplemental information:

1) During the nine months ended March 31, 2022, the interest paid on lease liabilities was $39 (2021: $50)
2) During the nine months ended March 31, 2022, the interest received on lease receivables was $39 (2021: $50)

## 1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One” or the “Company”) is a publicly traded corporation, incorporated in Canada, with its head office located at 404 – 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 under the symbol “HRVOF”.

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended March 31, 2022 and 2021 include Harvest One and its subsidiaries (together referred to as “the Company”).

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

## 2. Significant accounting policies

a) *Basis of presentation*

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on May 30, 2022.

b) *COVID-19 Estimation Uncertainty*

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses. The Company’s total net revenue for the three and nine months ended March 31, 2022 increased by 15.4% and 7.5% for the same respective periods, compared with the same periods in the previous fiscal year.

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.

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.

## 2. Significant accounting policies (continued)

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

The Company had a consolidated net loss of $1,677 and $4,760 for the three and nine months ended March 31, 2022 and negative operating cash flows of $3,902 for the nine months ended March 31, 2022 and an accumulated deficit of $167,605 as at March 31, 2022. 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.

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

d) *Basis of measurement*

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

e) *Basis of consolidation*

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

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

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

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

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

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

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

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

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

## 3. Accounts receivable

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

| | **March 31 2022** | June 30 2021 |
|---|---|---|
| | **$** | $ |
| Trade receivables | **1,650** | 1,256 |
| Other receivables | **50** | 731 |
| Taxes recoverable from governments | **157** | 33 |
| | **1,857** | 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 shares of Cann Group Limited (the "Cann Group") that it was entitled to in relation 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 of Cann Group were disposed in the same month with a disposal loss of $12.

## 4. Short term investments

The Company's short-term investments consisted of the Cann Group shares (total number of shares: 2,248,615 shares) received as consideration for the sale of the Satipharm Entities. The Cann Group shares were valued at the closing share price at the end of the reporting period. During the nine months ended March 31, 2022, the Company sold 2,142,922 shares, leaving a remainder of 105,693 shares. The balance below excluded the remaining Cann Group shares received and sold in September 2021 as described in note 3 above.

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

| | | |
|---|---|---|
| Balance, June 30, 2020 | $ | - |
| Additions | | 2,500 |
| Disposal of shares, net of brokerage fees | | (1,027) |
| Realized loss on disposal | | (137) |
| Unrealized loss on changes in fair value | | (603) |
| Unrealized loss on foreign exchange | | (22) |
| Balance, June 30, 2021 | | 711 |
| Disposal of shares, net of brokerage fees | | (544) |
| Realized loss on disposal | | (625) |
| Unrealized loss on changes in fair value reclassed to realized loss on disposal | | 625 |
| Unrealized loss on changes in fair value | | (139) |
| Unrealized loss on foreign exchange | | (3) |
| **Balance, March 31, 2022** | | **25** |

(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:

| | **March 31 2022** | June 30 2021 |
|---|---|---|
| | **$** | $ |
| Cannabis infused pain relief creams | | |
| Raw materials and work-in-progress | **275** | 2,017 |
| Finished goods | **40** | 220 |
| | **315** | 2,237 |
| Liquid sleep shots and sleep powder packets | | |
| Raw materials and work-in-progress | **388** | 101 |
| Finished goods | **435** | 579 |
| | **823** | 680 |
| Pain relief creams | | |
| Raw materials and work-in-progress | **654** | 624 |
| Finished goods | **299** | 254 |
| | **953** | 878 |
| Packaging and supplies | **471** | 229 |
| Inventory allowance | **(218)** | (1,745) |
| | **2,344** | 2,279 |

a) *Cannabis infused pain relief creams*

Cannabis infused inventory on hand as at March 31, 2022 pertains to extracted cannabis for use in the outsourced development and sale of Cannabis 2.0 products by the Company's manufacturer and distributor.

b) *Allowance and write-downs*

During the three and nine months ended March 31, 2022, the inventory write-down was $26 and $187 (2021: nil and $22). In March 2022, $1,656 of inventory related to unpackaged cannabis extract, and that was accounted for as part of the inventory allowance, was destroyed. As such, as at March 31, 2022, the Company carries an inventory valuation allowance of $218.

## 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 |

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

## 6. Property, plant and equipment (Continued)

| | Plant and equipment | Office equipment | Construction in progress(i) | Right-of-use assets | Total |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| July 1, 2020 | 77 | 220 | - | 80 | 377 |
| Depreciation | 76 | 81 | - | 62 | 219 |
| Transfers to assets held for sale | - | (16) | - | - | (16) |
| Disposals and write-downs | - | (1) | - | - | (1) |
| June 30, 2021 | 153 | 284 | - | 142 | 579 |
| Net book value June 30, 2021 | 327 | 58 | 2,511 | 12 | 2,908 |
| **Cost** | | | | | |
| July 1, 2021 | 480 | 342 | 2,511 | 154 | 3,487 |
| Additions | - | 10 | - | - | 10 |
| Disposal | - | - | (159) | - | (159) |
| March 31, 2022 | 480 | 352 | 2,352 | 154 | 3,338 |
| **Accumulated depreciation** | | | | | |
| July 1, 2021 | 153 | 284 | - | 142 | 579 |
| Depreciation | 57 | 51 | - | 12 | 120 |
| March 31, 2022 | 210 | 335 | - | 154 | 699 |
| **Net book value March 31, 2022** | **270** | **17** | **2,352** | **-** | **2,639** |

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

In July 2021, the Company disposed $159 of capitalized costs under construction in process and received $104 in proceeds from the disposal with a $55 loss on disposal. 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.

(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, 2021 | 6,043 | 2,154 | 398 | 1,540 | 123 | 10,258 |
| Disposal and write-downs | | | (398) | | | (398) |
| Additions | - | - | - | - | 12 | 12 |
| March 31, 2022 | 6,043 | 2,154 | - | 1,540 | 135 | 9,872 |
| **Accumulated amortization** | | | | | | |
| July 1, 2021 | 2,014 | 1,463 | - | 679 | 70 | 4,226 |
| Amortization | 756 | 510 | - | 182 | 27 | 1,475 |
| March 31, 2022 | 2,770 | 1,973 | - | 861 | 97 | 5,701 |
| **Net book value March 31, 2022** | **3,273** | **181** | **-** | **679** | **38** | **4,171** |

In March, 2022, the Company revaluated the in-process research and development (R&D) asset and decided not to invest any further in the in-process R&D program. Therefore, the asset was fully written down by $398.

## 8. Accounts payable and accrued liabilities

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

| | **March 31 2022** | June 30 2021 |
|---|---|---|
| | **$** | $ |
| Trade payables | **3,240** | 4,869 |
| Accrued liabilities | **1,623** | 1,189 |
| Payroll liabilities | **151** | 331 |
| Other payables | **610** | 535 |
| | **5,624** | 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.

(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 | **March 31 2022** | June 30 2021 |
|---|---|---|---|
| | | **$** | $ |
| Secured and unsecured loans | (a) | **1,781** | 1,744 |
| Lease liabilities | (b) | **319** | 418 |
| Total loans and lease liabilities | | **2,100** | 2,162 |
| Current portion | | **(441)** | (312) |
| Non-current portion | | **1,659** | 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 is secured by a registered general security agreement conveying an interest in all personal property of the Company's subsidiary, LivCorp Inc., and a limited guarantee by Delivra Inc. to a maximum of the principal amount of debt outstanding together with accrued interest, this secured loan has was 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 | 133 | - | 1,190 |
| ACOA 202454 | 16% | 2023 | 85 | 45 | 4 | (27) | 22 |
| ACOA 203110 | 16% | 2024 | 197 | 112 | 12 | (30) | 94 |
| ACOA 205145 | 16% | 2021 | 37 | 6 | - | (6) | - |
| ACOA 206091 | 16% | 2023 | 76 | 41 | 3 | (18) | 26 |
| ACOA 206924 | 16% | 2026 | 117 | 63 | 6 | (15) | 54 |
| ACOA 207593 | 16% | (i) | 484 | 420 | (25) | - | 395 |
| Balance, March 31, 2022 | | | 3,856 | 1,744 | 133 | (96) | 1,781 |

(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.

(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 | 39 |
| Lease payments | (138) |
| Balance, March 31, 2022 | 319 |
| Current portion | (129) |
| Non-current portion | 190 |

For three and nine months ended March 31, 2022, the Company recorded $7 and $24 rent expense relating to short term leases.

## 10. General and administration expenses

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

| | Three months ended March 31 | | Nine months ended March 31 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$** | $ | **$** | $ |
| Insurance | **44** | 113 | **120** | 355 |
| Investor relations | **48** | 9 | **77** | 73 |
| Office and general | **174** | 103 | **439** | 295 |
| Professional and consulting services | **261** | 408 | **795** | 1,773 |
| Regulatory | **7** | 5 | **13** | 26 |
| Rent | **7** | 61 | **24** | 65 |
| Salaries, bonus and benefits | **682** | 829 | **1,960** | 2,558 |
| Travel | **17** | - | **44** | 8 |
| | **1,240** | 1,528 | **3,472** | 5,153 |

## 11. Share capital

a) *Authorized*

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

b) *Issued capital*

At March 31, 2022, 252,617,854 common shares (June 30, 2021 – 252,617,854) were issued and fully paid. In the same period last year, 616,669 stock options were exercised at an exercise price of $0.085 per share.

In connection with the issuance of the Units (as defined below), 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 recorded to other reserves. As at March 31, 2021, 252,792,855 common shares were issued and fully paid.

(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 | 276 | - | - | 276 |
| **Balance, March 31, 2022** | **11,702** | **12,658** | **815** | **25,175** |

a) *Share-based awards*

(i) Stock options

The Company has established a share option plan ("Plan") whereby the Company's Board of Directors may from time to time grant stock options to employees and non-employees. Options granted under the Plan will not have a term to exceed 10 years from the date of grant. The maximum number of common shares that may be reserved for issuance under the Plan is 21,507,948. Vesting is determined by the Board of Directors.

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

| | Number outstanding | Weighted average exercise price |
|---|---|---|
| | # | $ |
| Outstanding at June 30, 2020 | 10,583,313 | 0.82 |
| Granted | 18,415,000 | 0.10 |
| Exercised | (441,668) | 0.09 |
| Expired | (727,702) | 1.00 |
| Forfeited | (9,349,831) | 0.42 |
| Outstanding at June 30, 2021 | 18,479,112 | 0.31 |
| Granted | - | - |
| Expired | (527,319) | 1.26 |
| Forfeited | (1,388,809) | 0.34 |
| **Outstanding at March 31, 2022** | **16,562,984** | **0.27** |

During the nine months ended March 31, 2022, there were no new stock options granted.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted during the three and nine months ended March 31, 2022 by applying the following assumptions:

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

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

**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 March 31, 2022 is as follows:

| Expiry date | Number of stock options outstanding | Exercise price | Number of stock options exercisable |
|---|---|---|---|
| | # | $ | # |
| April 27, 2022 | 1,150,000 | 0.75 | 1,150,000 |
| January 24, 2023 | 877,625 | 0.76 | 877,625 |
| September 18, 2023 | 700,000 | 0.91 | 700,000 |
| October 12, 2023 | 297,500 | 0.61 | 297,500 |
| April 22, 2024 | 775,000 | 0.85 | 533,334 |
| June 17, 2024 | 150,000 | 0.68 | 100,000 |
| July 31, 2024 | 300,000 | 0.56 | 266,666 |
| September 4, 2024 | 50,000 | 0.52 | 41,668 |
| July 14, 2025 | 4,845,001 | 0.09 | 3,505,003 |
| December 7, 2025 | 1,500,000 | 0.08 | 625,000 |
| April 8, 2026 | 5,917,858 | 0.12 | 3,895,636 |
| | **16,562,984** | | **11,992,432** |

(ii) Compensation Options

On March 17, 2021, the Company closed a bought-deal public offering with Mackie Research Capital Corporation, as sole bookrunner, and ATB Capital Markets Inc., as the co-lead underwriters, pursuant to which the Company issued 37,096,700 units of the Company (the "Units") at a price of $0.155 per Unit for gross proceeds to the Company of approximately $5,750, including the full exercise of an over-allotment option (the "Offering"). Each Unit consists of one common share and one common share purchase warrant (each, a "Bought Deal Warrant"). Each Bought Deal Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.195 at any time until March 17, 2024.

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

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

**12. Other reserves (continued)**

b) *Warrants*

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

| | Brokers' RTO Warrants, Secondary Warrants | Debenture Warrants | Dream Water Warrants | Jonathan Carroll Warrants(iii) | Hygrovest * Warrants(i) | Bought Deal Warrants (ii) | Total number outstanding | Weighted average exercise price |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | # | $ |
| Outstanding at June 30, 2020 | 600,002 | 5,901,182 | 517,000 | - | 17,083,333 | - | 24,101,517 | 0.36 |
| Issued | - | - | - | - | - | 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 March 31, 2022** | **100,002** | **-** | **-** | **300,000** | **17,083,333** | **37,096,700** | **54,580,035** | **0.15** |

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

(i) Hygrovest Warrants

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

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

(ii) Bought Deal Warrants

On March 17, 2021, the Company issued an aggregate of 37,096,700 Bought Deal Warrants. Each Bought Deal Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.195 at any time until March 17, 2024.

The fair value of the Bought Deal Warrants was estimated at $2,308 using the relative fair value method and the following assumptions:

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

(iii) Jonathan Carroll Warrants

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

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

## 12. Other reserves (continued)

Services") for a 24-month period. As partial consideration for the Consulting Services, the Company agreed to grant an aggregate of 1,500,000 common share purchase warrants (the "Consultant Warrants") to the Consultant in accordance with the provisions of the consulting agreement. On September 27, 2021, the Company issued 300,000 Consultant Warrants. Each Consultant Warrant will entitle the holder to purchase one common share at a price of $0.09 per share with an expiry date of September 23, 2023. The fair value of the Consultant 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 March 31, 2022 is as follows:

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

## 13. Related parties

The summary of the Company's related party transactions during the three and nine months ended March 31, 2022 and 2021 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** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$** | $ | **$** | $ |
| Salaries and benefits | **161** | 144 | **483** | 617 |
| Severance costs | **-** | - | **-** | 150 |
| Directors' fees | **60** | 60 | **180** | 170 |
| Share-based compensation | **41** | (4) | **199** | 257 |
| Total | **262** | 200 | **862** | 1,194 |

b) *Payments to related parties*

As at March 31, 2022, there was $180 in directors' fees (June 30, 2021 – $120) and no bonus payments (June 30, 2021 – Nil) included in accounts payable and accrued liabilities.

c) *Severance payments*

During the three and nine months ended March 31, 2022, the Company has no severance payment (2021: nil and $150).

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

## 14. Revenue and other geographical information

The Company generates net revenue from two geographical locations:

| Net revenue | Three months ended March 31 | | Nine months ended March 31 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$** | $ | **$** | $ |
| Canada | **701** | 888 | **2,499** | 2,767 |
| US | **1,638** | 1,139 | **3,718** | 3,018 |
| Total | **2,339** | 2,027 | **6,217** | 5,785 |

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

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

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

## 15. Discontinued operations

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

Below illustrates the discontinued operation for the three and nine months ended March 31, 2021.

| | Three months ended March 31 2021 | Nine months ended March 31 2021 |
|---|---|---|
| | **$** | $ |
| Net revenue | (56) | 912 |
| Cost of sales | | |
| Production costs | 56 | 511 |
| Inventory expensed to cost of sales | 92 | 392 |
| Inventory write-down | — | 1,226 |
| Gross profit before fair value adjustments | (204) | (1,217) |
| Realized fair value amounts included in inventory sold | 54 | 657 |
| Unrealized change in fair value of biological assets | — | — |
| Gross loss | (258) | (1,874) |
| Expenses | 424 | 1,878 |
| Other (expense) income | | |
| Loss on remeasurement of disposal group | — | (1,311) |
| Gain (loss) on disposal of assets | 131 | 266 |
| Interest and finance costs | (54) | (61) |
| Foreign exchange (loss) gain | (1) | 38 |
| Loss from discontinued operations | (606) | (4,820) |

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

**15. Discontinued operations (Continued)**

a) *Expenses*

Included within expenses for the three and nine months ended March 31, 2021 are amortization of $nil and $441, respectively.

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.

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

| | Nine months ended March 31 2021 |
|---|---|
| | $ |
| Net cash (used in) provided by operating activities | (11,880) |
| Net cash provided (used in) by investing activities | 11,250 |
| Net cash used in financing activities | — |
| Effect of foreign exchange on cash | 368 |
| **Change in cash during the period** | **(262)** |

**16. Non-controlling interests**

The Company's non-controlling interest in Greenbelt Greenhouse Ltd. was sold during the year ended June 30, 2021. In the nine months ended March 31, 2021, the continuity was as follows:

| | |
|---|---|
| Company's ownership interest (%) | 50.1% |
| Balance, June 30, 2020 | 3,053 |
| Share of loss for the period ended March 31, 2020 | - |
| Sale of non-controlling interest in Greenbelt | (3,053) |
| Balance, March 31, 2021 | - |

**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 and Delivra. Therefore, the Company discontinued performing segment reporting effective July 1, 2021.

The segment information of same period last year was as follows:

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

## 17. Segment information (Continued)

| | Three months ended March 31, 2021 | | | Nine months ended March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate | Total | Consumer | Corporate | Total |
| | $ | $ | $ | $ | $ | $ |
| Net revenue | 2,027 | — | 2,027 | 5,785 | — | 5,785 |
| Gross profit | 745 | — | 745 | 2,193 | — | 2,193 |
| Expenses | 839 | 604 | 1,443 | 2,365 | 14,107 | 16,472 |
| Net loss from continuing operations | (195) | (915) | (1,110) | (414) | (14,522) | (14,936) |

## 18. Assets held for sale

On February 12, 2020, the Company announced that its Board of Directors initiated the Strategic Review. The Board of Directors appointed a special committee of independent directors to oversee the Strategic Review. As part of the Strategic Review, the Company committed to a plan to sell certain non-core assets primarily within the cultivation segment and completed the sale of those non-core assets during the year ended Jun 2021.

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

The summary of the Company's asset sales completed during the 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)

**19. Financial instruments and risk**

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

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board of Directors 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, 2022, 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, 2022, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

As at March 31, 2022, the Company's aging of receivables was approximately as follows:

| | **March 31 2022** | June 30 2021 |
|---|---|---|
| | **$** | $ |
| 0 – 60 days | **929** | 876 |
| Over 60 days | **722** | 380 |
| | **1,650** | 1,256 |

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2022, 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 $ 6,199 and current liabilities

**19. Financial instruments and risk (Continued)**

of $ 6,065. 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 three and nine months period ended March 31, 2022, 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.