Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three months ended September 30, 2020 and 2019
(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 September 30, 2020 and June 30, 2020

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

	Note	**September 30 2020**	June 30 2020
		$	$
Assets			
Current assets			
Cash		**2,009**	1,406
Accounts receivable	3	**1,692**	1,671
Lease receivable		**104**	100
Inventories	4	**3,637**	9,288
Prepaid expenses and deposits		**679**	898
Promissory note	4(a)	**4,222**	—
Assets held for sale	9	**6,751**	15,050
		19,094	28,413
Lease receivable		**377**	404
Property, plant and equipment	5	**16,340**	16,392
Intangible assets	6	**11,894**	12,635
Total assets		**47,705**	57,844
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**11,964**	14,551
Loans and lease liabilities	11	**246**	3,893
Liabilities associated with assets held for sale	9	**651**	750
		12,861	19,194
Loans and lease liabilities	11	**2,108**	2,080
Total liabilities		**14,969**	21,274
Equity			
Share capital	13	**146,203**	146,203
Other reserves	14	**22,192**	21,800
Accumulated other comprehensive loss		**(651)**	(179)
Accumulated deficit		**(138,061)**	(134,307)
Equity attributable to Harvest One shareholders		**29,683**	33,517
Non-controlling interest	8	**3,053**	3,053
Total equity		**32,736**	36,570
Total liabilities and equity		**47,705**	57,844

Going concern (note 2(c))
Commitments and contingencies (note 16)
Subsequent events (note 19)

"Jason Bednar"
Jason Bednar, Director

"Gord Davey"
Gord Davey, Director

HARVEST ONE

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss

For the three months ended September 30, 2020 and 2019

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

		For the three months ended September 30	
	Note	**2020**	2019
		$	$
Revenue		**1,964**	2,027
Excise taxes		**57**	—
Net revenue	17	**1,907**	2,027
Inventory expensed to cost of sales		**1,166**	1,638
Inventory write-down		**197**	—
Gross (loss) profit		**544**	389
Expenses			
General and administration	12	**1,975**	3,498
Sales and marketing		**206**	792
Research and development		**—**	112
Depreciation and amortization		**798**	525
Share-based compensation	14(a)	**392**	697
Severance and reorganization costs	15(c)	**163**	—
		3,534	5,624
Loss from operations		**(2,990)**	(5,235)
Other (expense) income			
Interest and finance costs		**(149)**	(64)
Loss on investment in associate		**—**	(151)
Foreign exchange gain		**27**	—
		(122)	(215)
Net loss from continuing operations		**(3,112)**	(5,450)
Loss (profit) from discontinued operation	18	**(642)**	20
Net loss		**(3,754)**	(5,430)
Other comprehensive loss			
Foreign currency translation		**(472)**	(191)
Comprehensive loss		**(4,226)**	(5,621)
Net loss attributable to:			
Harvest One Cannabis Inc.		**(3,754)**	(5,261)
Non-controlling interests	8	**—**	(169)
Comprehensive loss attributable to:			
Harvest One Cannabis Inc.		**(4,226)**	(5,452)
Non-controlling interests	8	**—**	(169)
Net loss per share – basic and diluted		**(0.02)**	(0.02)
Weighted average number of outstanding common shares		**215,079,486**	213,666,344

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 three months ended September 30, 2020 and 2019

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

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total
		#	$	$	$	$	$	$
Balance, July 1, 2019		185,819,851	125,093	18,042	(139)	(54,450)	4,589	93,135
Common shares issued for services		987,013	471	—	—	—	—	471
Common shares issued for acquisition	7(a)	28,272,622	20,639	—	—	—	—	20,639
Options and warrants issued for acquisition	7(a), 14	—	—	1,255	—	—	—	1,255
Warrants issued	14	—	—	481	—	—	—	481
Share-based compensation	14	—	—	2,022	—	—	—	2,022
Foreign currency translation		—	—	—	(40)	—	—	(40)
Net loss		—	—	—	—	(79,857)	(1,536)	(81,393)
Balance, June 30, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Balance, July 1, 2020		215,079,486	146,203	21,800	(179)	(134,307)	3,053	36,570
Share-based compensation	14	—	—	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**

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows

For the three months ended September 30, 2020 and 2019

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

	Note	For the three months ended September 30	
		2020	2019
		$	$
Operating activities			
Net loss		**(3,754)**	(5,430)
Adjustments to reconcile non-cash items			
Depreciation and amortization		**798**	764
Inventory write-down	5	**307**	—
Loss on disposal of assets		—	10
Share-based compensation	14	**392**	697
Issuance of common shares for services		—	396
Interest and accretion on loans and borrowings	11	**121**	73
Loss (earnings) from investment in associate		—	151
Unrealized change in fair value of biological assets	18	—	(1,148)
Realized fair value amounts included in inventory sold	18	**565**	705
Fair value adjustment in inventory expensed to cost of sales		—	357
Changes in working capital			
Accounts and lease receivable		**31**	(1,194)
Inventories		**727**	(3,072)
Prepaid expenses and deposits		**273**	(344)
Accounts payable and accrued liabilities		**(2,736)**	(2,170)
Net cash used in operating activities		**(3,276)**	(10,205)
Investing activities			
Purchase of property, plant and equipment	5	—	(2,419)
Proceeds from sale of property, plant and equipment	9	**8,200**	27
Proceeds from sale of intangible assets		—	(22)
Investment in and loan to associate		—	(250)
Acquisition of businesses, net of cash acquired		—	86
Net cash provided by (used in) investing activities		**8,200**	(2,578)
Financing activities			
Repayment of loans and borrowings	11	**(3,734)**	(95)
Net cash used in financing activities		**(3,734)**	(95)
Effect of foreign exchange on cash		**(587)**	(151)
Change in cash during the year		**603**	(13,029)
Cash, beginning of the year		**1,406**	20,301
Cash, end of the year		**2,009**	7,272

HARVEST ONE

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

1. Nature of operations

Harvest One Cannabis Inc. (“Harvest One”) is a publicly traded corporation, incorporated in Canada, with its head office 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 consolidated financial statements as at and for the three months ended September 30, 2020 and 2019 include Harvest One and its subsidiaries (together referred to as “the Company”) and the Company’s interest in an affiliated company.

The principal activities of the Company are to provide innovative lifestyle and wellness products to consumers and patients in regulated markets around the world through its subsidiaries: United Greeneries Ltd. (“United Greeneries”), a Licensed Producer of cannabis pursuant to the Cannabis Act, and Greenbelt Greenhouse Ltd. (“Greenbelt”) under the cultivation segment; Satipharm Limited (“Satipharm”) and PhytoTech Therapeutics Ltd. (“PhytoTech”), both under the Company’s medical and nutraceutical segment; and Dream Water Global (“Dream Water”) and Delivra Corp. (“Delivra”), the Company’s consumer segment. As at June 30, 2020, the cultivation segment was classified as a discontinued operation (see note 18).

2. Significant accounting policies

a) *Basis of presentation*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended June 30, 2020 other than those disclosed in note 3. These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2020.

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, have negatively affected the Company’s operations as total net revenue for both continued and discontinued operations have decreased by an average of 2% since the last fiscal quarter. Furthermore, net revenue of continued business for the three months ended September 30, 2020 have decreased by 6% compared 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 intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

c) *Basis of accounting – going concern*

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

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

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

2. Significant accounting policies (continued)

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

The Company had a consolidated net loss of $3,754 and negative operating cash flows of $3,276 for the three months ended September 30, 2020 and an accumulated deficit of $138,061 as at September 30, 2020. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the 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 and biological assets which are measured at fair value.

e) *Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The table below lists the Company's subsidiaries, investment in associate and the ownership interests in each:

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

(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 2020	June 30 2020
	$	$
Trade receivables	**1,530**	1,339
Taxes recoverable from governments	**162**	332
	1,692	1,671

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

4. Inventories

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

	September 30 2020	June 30 2020
	$	$
Cannabis		
Work-in-progress	—	3,698
Finished goods	—	1,005
	—	4,703
CBD capsules and oils		
Raw materials and work-in-progress	**511**	313
Finished goods	**2,015**	2,353
	2,526	2,666
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	—	23
Finished goods	**1,276**	1,619
	1,276	1,642
Pain relief creams		
Raw materials and work-in-progress	**709**	612
Finished goods	**256**	275
	965	887
Packaging and supplies	**241**	840
Inventory allowance	**(1,371)**	(1,450)
	3,637	9,288

a) *Cannabis*

Cannabis inventory pertains to harvested cannabis and extracted cannabis for use in the development and sale of Cannabis 2.0 products. In conjunction with the sale of the Duncan Facility and Mission Road facility on August 26, 2020, Harvest One commenced its licencing agreement with Costa Canna Production Limited Liability Partnership ("Costa LLP") (the "Licence Agreement"), which provides Harvest One with the distribution of Cannabis 2.0 products in Canada including LivRelief's cannabis-infused topical creams. Per the terms of the Licence Agreement, cannabis inventory shall be held and sold by Costa LLP, with the value of such cannabis inventory exchanged for a non-interest bearing promissory note receivable from Costa LLP. As at September 30, 2020, the value of the promissory note was $4,222 and is subject to future impairment based the underlying inventory's fair value.

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

4. Inventories (continued)

b) *Liquid sleep shots and sleep powder packets*

During the three months ended September 30, 2020, the Company recognized a write-down of $307, mostly attributable to packaging and supplies.

c) *Inventory allowance*

Due to estimation uncertainties attributable to COVID-19, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, during the year ended June 30, 2020, the Company recognized an inventory valuation allowance of $1,450 (2019 – $nil).

5. Property, plant and equipment

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

	Plant and equipment	Office equipment	Building and leasehold improvements	Land	Construction in progress	Right-of-use assets	Total
	$	$	$	$	$	$	$
Cost							
July 1, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Additions	609	50	127	—	8,355	954	10,095
Additions from Delivra acquisition (note 7)	481	—	—	—	—	—	481
Transfers to assets held for sale	(2,469)	(81)	(7,153)	(892)	(2,952)	(137)	(13,684)
Disposals and write-downs	(2,165)	(117)	(4,854)	(964)	(3,547)	(663)	(12,310)
June 30, 2020	1,026	387	—	—	15,202	154	16,769
Accumulated depreciation							
July 1, 2019	495	211	356	—	—	—	1,062
Depreciation	340	139	270	—	—	188	937
Transfers to assets held for sale	(291)	(50)	(341)	—	—	(18)	(700)
Disposals and write-downs	(467)	(80)	(285)	—	—	(90)	(922)
June 30, 2020	77	220	—	—	—	80	377
Cost							
July 1, 2020	1,026	387	—	—	15,202	154	16,769
Additions	—	—	—	—	5	—	5
September 30, 2020	1,026	387	—	—	15,207	154	16,774
Accumulated depreciation							
July 1, 2020	77	220	—	—	—	80	377
Depreciation	19	18	—	—	—	20	57
September 30, 2020	96	238	—	—	—	100	434
Net book value September 30, 2020	**930**	**149**	**—**	**—**	**15,207**	**54**	**16,340**

a) *Construction in progress*

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

b) *Right-of-use assets*

The Company adopted IFRS 16 – Leases effective July 1, 2019 (note 3). Additions during the year ended June 30, 2020 includes $882 right-of-use assets on transition to IFRS 16 and $72 of right-of-use asset additions for office leases.

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

6. Intangible assets

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

	Brand names	Technology and formulations	In-process R&D	Customer relationships	Website and other	Total
	$	$	$	$	$	$
Cost						
July 1, 2019	4,190	—	4,659	1,540	206	10,595
Additions	—	—	—	—	22	22
Additions from Delivra acquisition (note 7)	1,853	2,286	470	—	—	4,609
Transfer to technology and formulations	—	4,659	(4,659)	—	—	—
Disposals and writedowns	—	(132)	—	—	(90)	(222)
June 30, 2020	6,043	6,813	470	1,540	138	15,004
Accumulated amortization						
July 1, 2019	—	—	—	239	22	261
Amortization	1,007	892	—	220	17	2,136
Disposals and writedowns	—	(28)	—	—	—	(28)
June 30, 2020	1,007	864	—	459	39	2,369
Cost						
July 1, 2020	6,043	6,813	470	1,540	138	15,004
September 30, 2020	6,043	6,813	470	1,540	138	15,004
Accumulated amortization						
July 1, 2019	1,007	864	—	459	39	2,369
Amortization	252	426	—	55	8	741
September 30, 2020	1,259	1,290	—	514	47	3,110
Net book value						
September 30, 2020	**4,784**	**5,523**	**470**	**1,026**	**91**	**11,894**

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

7. Business combinations

The summary of the Company's asset acquisition and business combination completed during the three months ended September 30, 2019 is as follows:

Acquisition completed during the period ended September 30, 2019	Delivra
	$
Consideration transferred	
Common shares issued	20,639
Options and warrants issued	1,255
	21,894
Purchase price allocation	
Net assets acquired	(2,221)
Intangible assets	
Technology and formulations	2,286
Brand name	1,853
In process R&D	470
Goodwill	19,506
	21,894
Net assets acquired	
Cash	86
Accounts receivables	334
Prepaid expenses and deposits	47
Inventories	2,650
Property, plant and equipment	481
Assets acquired	3,598
Accounts payable and accrued liabilities	(3,806)
Loans and borrowings	(2,013)
	(2,221)
Net cash inflows	
Cash consideration	—
Less: cash acquired	(86)
	(86)
Acquisition costs expensed	
Three months ended September 30, 2019	—

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

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

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

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

8. Non-controlling interests

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

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

The Company also entered into a loan facility agreement with Greenbelt dated March 29, 2019, pursuant to which the Company agreed to provide a secured bridge loan facility to Greenbelt of up to $3,500 bearing interest of 4.5% per annum over a one-year term. Under the loan facility, Greenbelt may draw down funds for the purpose of completing the planned retrofit of Greenbelt's greenhouse facility. As at September 30, 2020, $nil funds have been drawn from the secured bridge loan facility.

9. Assets held for sale

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

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

As at September 30, 2020, the assets held for sale is comprised of assets of $6,751 less liabilities of $651, related to Greenbelt, detailed as follows:

Cash	$	2
Accounts receivable		31
Prepaid expenses and deposits		4
Property, plant and equipment		6,714
Accounts payable and accrued liabilities		(457)
Loans and lease liabilities		(194)
Balance, September 30, 2020		**6,100**

On October 15, 2020, the Company completed the sale of Greenbelt which the Company has a 50.1% ownership interest as described in note 19(a).

10. Accounts payable and accrued liabilities

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

	September 30 2020	June 30 2020
	$	$
Trade payables	**9,288**	10,745
Accrued liabilities	**1,770**	2,607
Payroll liabilities	**336**	342
Other payables	**570**	857
	11,964	14,551

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

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

11. Loans and lease liabilities

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

	Notes	**September 30 2020**	June 30 2020
		$	$
Secured and unsecured loans	(a)	**1,813**	3,249
Secured loan from related party	(b)	—	2,139
Lease liabilities	(c)	**541**	585
Total loans and lease liabilities		**2,354**	5,973
Current portion		**(246)**	(3,893)
Non-current portion		**2,108**	2,080

a) *Secured and unsecured loans*

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

	Effective Interest Rate	Maturity	Face Value	Balance, July 1, 2020	Accretion	Repayments	**Total**
			$	$	$	$	**$**
Balance, July 1, 2019							—
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,054	43	—	**1,097**
ACOA 201246	16%	2019	17	—	—	—	**—**
ACOA 202454	16%	2022	85	56	2	—	**58**
ACOA 203110	16%	2024	197	127	5	—	**132**
ACOA 205145	16%	2020	37	17	1	—	**18**
ACOA 206091	16%	2022	76	51	2	—	**53**
ACOA 206924	16%	2025	117	71	3	—	**74**
ACOA 207593	16%	(i)	484	360	14	—	**374**
Finance PEI	9%	2020	47	13	—	(6)	**7**
Balance, September 30, 2020			3,920	1,749	70	(6)	**1,813**

(i) The annual instalments are calculated as 5% to 10% of forecasted revenues from pipeline products for the calendar year immediately preceding the due date of the respective payment, with an estimated commencement date of August 31, 2021.

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

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

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

11. Loans and lease liabilities (continued)

b) *Secured loan from related party*

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

c) *Lease liabilities*

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

Balance, June 30, 2018	$	240
Recognition of lease liabilities on initial application of IFRS 16		882
Adjusted balance, July 1, 2019		1,122
Additions on acquisition of Delivra		72
Interest expense on lease liabilities		135
Lease payments		(363)
Transfer to liabilities associated with assets held for sale		(318)
Termination of lease liability		(63)
Balance, June 30, 2020		585
Interest expense on lease liabilities		20
Lease payments		(64)
Balance, September 30, 2020		541
Current portion		(164)
Non-current portion		**377**

For the period ended September 30, 2020, the Company recorded $22 rent expense relating to short term leases.

12. General and administration expenses

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

	September 30 2020	September 30 2019
	$	$
Insurance	**152**	36
Investor relations	**24**	114
Office and general	**116**	458
Professional and consulting services	**659**	533
Regulatory	**9**	35
Rent	**14**	32
Salaries, bonus and benefits	**997**	2,070
Travel	**4**	220
	1,975	3,498

13. Share capital

a) *Authorized*

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

b) *Issued capital*

At September 30, 2020, 215,079,486 common shares (June 30, 2020 – 215,079,486) were issued and fully paid.

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

14. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2019	7,710	9,517	815	18,042
Share-based compensation	2,022	—	—	2,022
Acquisition of Delivra (note 10)	920	335	—	1,255
Warrants issued	—	481	—	481
Balance, June 30, 2020	10,652	10,333	815	21,800
Share-based compensation	392	—	—	392
Balance, September 30, 2020	**11,044**	**10,333**	**815**	**22,192**

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, 2018	17,785,000	0.79
Granted	4,342,918	0.80
Expired	(3,712,683)	0.77
Forfeited	(7,831,922)	0.77
Outstanding at June 30, 2019	10,583,313	0.82
Granted	10,920,000	0.09
Expired	(1,299,000)	0.70
Forfeited	(64,277)	1.19
Outstanding at September 30, 2020	**20,140,036**	**0.43**

During the three months ended September 30, 2020, the Company granted a total of 10,920,000 stock options under the Company's stock option incentive plan to certain new directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of $0.09 for a period of five years following the grant date.

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

14. Other reserves (continued)

a) *Share-based awards (continued)*

(i) Stock options (continued)

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, 2020 and 2019 by applying the following assumptions:

	September 30 2020	September 30 2019
Risk-free interest rate	**0.31%**	1.22% – 1.80%
Expected life of options (years)	**3.59**	0.6 – 4.3
Expected annualized volatility	**103.60%**	75.00% – 117.96%
Expected dividend yield	**Nil**	Nil

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

The number of options outstanding and exercisable at September 30, 2020 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
November 30, 2020	440,300	0.84	440,300
January 1, 2021	175,000	0.50	58,334
January 26, 2021	223,125	1.26	223,125
October 3, 2021	92,969	1.26	92,969
December 19, 2021	434,350	1.26	434,350
April 27, 2022	2,050,000	0.75	2,050,000
January 24, 2023	877,625	0.76	877,625
January 25, 2023	112,500	1.77	112,500
May 28, 2023	625,000	0.84	468,750
September 18, 2023	700,000	0.91	466,667
October 12, 2023	297,500	0.61	297,500
April 22, 2024	2,070,000	0.85	823,339
June 17, 2024	300,000	0.68	100,000
July 31, 2024	360,000	0.56	139,999
August 26, 2024	45,000	0.55	45,000
September 4, 2024	541,667	0.52	281,654
July 14, 2025	10,795,000	0.09	3,604,594
	20,140,036		**10,516,706**

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

14. Other reserves (continued)

b) *Warrants*

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

	RTO Warrants	Brokers' RTO Warrants, Secondary Warrants	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Delivra Warrants (i)	MMJ Warrants (ii)	Total number outstanding	Weighted average exercise price
								#	$
Outstanding at June 30, 2019	3,226,468	1,200,034	5,901,182	22,778,846	517,000	—	—	33,623,530	1.89
Issued	—	—	—	—	—	2,191,502	17,083,333	19,274,835	0.15
Expired[(1)]	(3,226,468)	(600,032)	—	(22,778,846)	—	(2,191,502)	—	(28,796,848)	2.01
Outstanding at June 30, 2020	—	600,002	5,901,182	—	517,000	—	17,083,333	24,101,517	0.36
Outstanding at September 30, 2020	**—**	**600,002**	**5,901,182**	**—**	**517,000**	**—**	**17,083,333**	**24,101,517**	**0.36**

(i) Delivra Warrants

In connection with the Delivra acquisition on July 3, 2019 (note 7), the Company issued 2,191,502 replacement warrants to holders of Delivra warrants with an exercise price of $0.59 – $0.84 per warrant and which expire nine months from the date of issue. Upon exercise of the Delivra Warrants, the Company will issue one common share. The fair value of the Delivra Warrants was estimated using the following assumptions:

Risk-free interest rate	1.79%
Expected life of warrants (years)	0.76
Expected annualized volatility	75.00%
Expected dividend yield	Nil

(ii) 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

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

14. Other reserves (continued)

b) *Warrants (continued)*

The Company's outstanding warrants at September 30, 2020 is as follows:

	Issued	Exercised	Expired	Outstanding	Exercise price	Expiry date
	#	#	#	#	$	
Brokers' Secondary Warrants	600,002	100,002	—	500,000	1.00	Jan 4, 2021
Brokers' Secondary Warrants	100,002	—	—	100,002	1.00	May 3, 2022
Debenture Warrants	9,493,882	3,592,700	—	5,901,182	1.09	Dec 14, 2020
Dream Water Warrants	517,000	—	—	517,000	1.00	May 29, 2021
MMJ Warrants	17,083,333	—	—	17,083,333	0.06	Apr 3, 2022
	27,794,219	**3,692,702**	**—**	**24,101,517**		

15. Related parties

The summary of the Company's related party transactions during the three months ended September 30, 2020 and 2019 is as follows:

a) *Compensation of key management personnel*

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

	September 30 2020	September 30 2019
	$	$
Salaries and benefits	**230**	551
Severance costs	**150**	—
Directors' fees	**48**	33
Share-based compensation	**183**	431
Total	**611**	1,015

b) *Payments to related parties*

As at September 30, 2020, there was $106 directors' fees (June 30, 2020 – $117) and $45 bonus payments (June 30, 2020 – $643) included in accounts payable and accrued liabilities.

c) *Severance payments*

During the three months ended September 30, 2020, the Company paid $150 to the former Chief Operating Officer and General Counsel in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs.

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

16. Commitments and contingencies

As at September 30, 2019, the Company's commitments that have not been disclosed elsewhere in the consolidated financial statements is as follows:

	Less than 1 year	Total
	$	$
Capital commitments	595	595
	595	**595**

a) *Capital commitments*

Capital commitments include amounts committed for Gelpell® production equipment.

b) *Litigation*

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

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

17. Segmented information

The Company operates in two reportable segments: medical and nutraceutical (Satipharm and PhytoTech) and consumer (Dream Water and Delivra), which is the way the Company reports information regarding segment performance, including net profit (loss), to its chief operating decision maker as at September 30, 2020.

The medical and nutraceutical segment includes the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe, Australia, and Argentina. The consumer segment includes the marketing, distribution, and product development of liquid sleep shots and sleep powder packets as well as pain relief creams throughout Canada and the US.

The segments for the three months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30, 2020				Three months ended September 30, 2019			
	Medical and Nutraceutical	**Consumer**	**Corporate**	**Total**	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	$	$	$	$
Net revenue	**85**	**1,822**	**—**	**1,907**	299	1,728	—	2,027
Gross profit	**99**	**445**	**—**	**544**	52	337	—	389
Expenses	**444**	**767**	**2,323**	**3,534**	769	1,675	3,180	5,624
Net loss from continuing operations	**(312)**	**(398)**	**(2,402)**	**(3,112)**	(716)	(1,429)	(3,305)	(5,450)

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

17. Segmented information (continued)

The Company generates net revenue from three geographical locations:

Net revenue	September 30 2020	September 30 2019
	$	$
Canada	**983**	705
US	**839**	1,023
Europe	**85**	299
Total	**1,907**	2,027

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

Non-current assets	September 30 2020	June 30 2020
	$	$
Canada	**24,340**	24,918
Israel	**4,271**	4,513
Total	**28,611**	29,431

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

18. Discontinued operation

Following the Strategic Review announced in February 2020, management committed to a plan to sell certain 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 (see note 9).

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	September 30 2019
	$	$
Net revenue	**658**	2,037
Cost of sales		
Production costs	**416**	622
Inventory expensed to cost of sales	**29**	982
Inventory write-down	**110**	—
Gross profit before fair value adjustments	**103**	433
Realized fair value amounts included in inventory sold	**565**	705
Unrealized change in fair value of biological assets	**—**	(1,148)
Gross (loss) profit	**(462)**	876
Expenses	**307**	832
Other (expense) income		
Gain on disposal of assets	**47**	—
Interest and finance costs	**80**	(24)
(Loss) profit from discontinued operation	**(642)**	20

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

	September 30 2020	September 30 2019
	$	$
Net cash used in operating activities	**(8,337)**	1,562
Net cash used in investing activities	**8,193**	(1,829)
Net cash used in financing activities	**—**	(18)
Change in cash during the year	**(144)**	(285)

19. Subsequent events

a) *Sale of Greenbelt*

On October 15, 2020, the Company completed the completed the sale of its 50.1% majority interest in Greenbelt Greenhouse Ltd. for net proceeds of approximately $2,850 (the "Greenbelt Transaction"). The Company's Strategic Review is ongoing, as the Company continues to evaluate all strategic alternatives and potential sales of additional non-essential assets including its Lucky Lake facility. The Company will continue to evaluate all transactions or financing alternatives available to support the growth and expansion of its CPG brands and product lines.