



Condensed Combined Consolidated Interim Financial
Statements of

Harvest One Cannabis Inc.

For the three months ended

September 30, 2017 and 2016

Harvest One Cannabis Inc.

Table of contents

Condensed combined consolidated interim statements of financial position 3

Condensed combined consolidated interim statements of loss and other comprehensive loss 4

Condensed combined consolidated interim statements of changes in equity 5

Condensed combined consolidated interim statements of cash flows 6

Notes to the condensed combined consolidated interim financial statements 7-28

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of financial position
(Expressed in Canadian dollars)
(Unaudited)

	September 30 2017	June 30 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	12,162,866	14,246,320
Accounts receivable (note 5)	360,722	180,041
Prepaid expenses and deposits	168,856	115,876
Biological assets (note 6)	214,550	110,489
Inventories (note 7)	1,472,783	1,213,684
	14,379,777	15,866,410
Non-current asset		
Property, plant and equipment (note 8)	8,396,966	8,225,514
Intangibles	36,950	31,165
	8,433,916	8,256,679
	22,813,693	24,123,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	635,632	766,948
Due to related party (note 10)	228,498	234,390
	864,130	1,001,338
Equity		
Share capital	33,843,668	33,843,668
Other reserves (note 12)	4,116,761	3,397,775
Accumulated other comprehensive (loss) income	(92,009)	(89,019)
Accumulated deficit	(15,918,857)	(14,030,673)
	21,949,563	23,121,751
	22,813,693	24,123,089

Nature of operations and going concern (note 1)
Commitments (note 15)
Subsequent events (note 18)

"Jason Bednar"
Jason Bednar, Director

"Andreas Gedeon"
Andreas Gedeon, Director

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended	
	September 30	
	2017	2016
	\$	\$
Revenue (note 14)	174,544	-
Unrealized gain on changes in fair value of biological assets (note 7)	357,412	-
Inventory expensed to cost of sales	(152,316)	-
Cost of goods sold, net of unrealized gain on changes in fair value of biological assets	205,096	-
Gross profit	379,640	-
Operating expenses		
Depreciation and amortization (note 8)	250,286	15,598
General and administration	252,124	132,372
Insurance	26,364	8,280
Marketing and investor relations	112,711	56,773
Professional and consulting services	113,593	38,521
Rent	45,815	36,790
Salaries, bonus and benefits	567,521	191,947
Share-based payments (note 12)	718,986	124,734
Regulatory	44,517	56,480
Travel	59,633	1,472
	2,191,550	662,967
Loss from operations	(1,811,910)	(662,967)
Finance costs	(2,074)	(26,792)
Foreign exchange loss	(74,333)	(83,090)
Interest income	133	2,036
Net loss	(1,888,184)	(770,813)
Foreign currency translation	(2,990)	(18,592)
Comprehensive loss	(1,891,174)	(789,405)
Net loss per share – basic and diluted	(0.02)	(0.02)
Weighted average number of outstanding common shares	89,177,458	51,000,000

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of changes in equity

(Expressed in Canadian dollars)

(Unaudited)

	Number of shares	Share capital	Other reserves	Accumulated other comprehensive income	Accumulated losses	Total
	#	\$	\$	\$	\$	\$
Balance, July 1, 2016	51,000,000	4,859,005	197,143	9,990	(6,161,837)	(1,095,699)
Share-based payments	-	-	124,734	-	-	124,734
Foreign currency translation	-	-	-	(18,592)	-	(18,592)
Loss for the period	-	-	-	-	(770,813)	(770,813)
Balance, September 30, 2016	51,000,000	4,859,005	321,877	(8,602)	(6,932,650)	(1,760,370)
Balance, July 1, 2017	89,177,458	33,843,668	3,397,775	(89,019)	(14,030,673)	23,121,751
Share-based payments (note 12)	-	-	718,986	-	-	718,986
Foreign currency translation	-	-	-	(2,990)	-	(2,990)
Loss for the period	-	-	-	-	(1,888,184)	(1,888,184)
Balance, September 30, 2017	89,177,458	33,843,668	4,116,761	(92,009)	(15,918,857)	21,949,563

Harvest One Cannabis Inc.

Condensed combined consolidated interim statements of cash flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended	
	September 30 2017	September 30 2016
	\$	\$
Operating activities		
Loss for the period	(1,888,184)	(770,813)
Adjustments to reconcile non-cash items		
Depreciation	250,286	15,598
Share-based payments (Note 12)	718,986	124,734
Interest expense	-	5,133
Unrealized gain on change in fair value of biological assets	(357,412)	-
Foreign exchange	(2,990)	-
Changes in non-cash working capital		
Accounts receivable	(180,681)	-
Inventories	(5,748)	(35,155)
Prepaid expenses and deposit	(52,980)	(10,150)
Accounts payable and accrued liabilities	(131,316)	235,742
	(1,650,039)	(434,911)
Investing activity		
Acquisition of property, plant and equipment	(418,698)	(61,473)
Acquisition of intangibles	(8,825)	-
Repayment of loan to director	-	2,005
	(427,523)	(59,468)
Financing activities		
Repayment of borrowings	-	(21,745)
Advances from related party	-	74,440
Repayment to related party	(5,892)	-
	(5,892)	52,695
Change in cash and cash equivalents during the period	(2,083,454)	(441,684)
Cash and cash equivalents, beginning of the period	14,246,320	880,337
Cash and cash equivalents, end of the period	12,162,866	438,653

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of operations and going concern

Harvest One Cannabis Inc. ("Harvest" or the "Company") was originally incorporated as Harvest One Capital Inc. on August 28, 2008 under the *British Columbia Company Act* and continues under the *Business Corporations Act of British Columbia*. The Company was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "TSX-V") Policy 2.4. Harvest is a publicly traded corporation, with its head office located at 2650 – 1066 West Hastings Street, Vancouver, BC, V7H 2J7. The Company's common shares are listed on TSX-V under the trading symbol "HVST", with MMJ PhytoTech Limited ("MMJ") controlling 60% of the outstanding common shares.

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

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

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

These condensed combined 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 or raise additional capital through debt or equity financings. 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 and as at the date of approving these financial statements the Company has been granted a license to sell its cannabis inventory. The Company had a combined consolidated net loss of \$1,888,184 and negative operating cash flows of \$1,650,039 for the three months ended September 30, 2017 and an accumulated deficit of \$15,918,857 as at September 30, 2017. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern. If the going concern basis were not appropriate for these consolidated financial statements, then significant adjustments would be necessary to the comprehensive loss and the financial position classifications.

2. Reverse take-over transaction

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

- a) \$2,000,000 in cash; and
- b) 41,574,662 common shares of the Company at \$0.75 per share.

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

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

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

2. Reverse take-over transaction (continued)

Immediately prior to closing of the Acquisition, the Company completed a share consolidation on the basis of 1.79 pre-consolidation common shares to one post-consolidation common share, and changed its name from Harvest One Capital Inc. to Harvest One Cannabis Inc. The Acquisition constituted the Company's Qualifying Transaction within the meaning of TSX-V policies. Further, in connection with the completion of its Qualifying Transaction, the Company obtained final approval to list its common shares on the TSX-V as a Tier 1 Industrial or Life Sciences Issuer. The common shares began trading on the TSX-V on April 28, 2017 under the symbol "HVST".

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

Consideration transferred:

Fair value of 2,286,659 post-consolidated Harvest shares	\$ 1,143,328
Fair value of 223,464 post-consolidation Harvest options	148,225
	1,291,553

Net assets acquired:

Cash and cash equivalents	200,615
Accounts payable and accrued liabilities	(218,668)
	(18,053)

Excess attributed to cost of listing **\$ 1,273,500**

Listing costs:

Legal	497,367
Professional, consulting and other fees	326,642
	2,097,509

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

3. Basis of presentation

a) *Statement of compliance*

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

These condensed combined consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 29, 2017.

b) *Basis of measurement*

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

4. Significant accounting policies

a) *Basis of consolidation*

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

4. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Subsidiary	Jurisdiction	% ownership	Accounting method
United Greeneries Holding Ltd.	Canada	100%	Consolidation
United Greeneries Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation
United Greeneries Saskatchewan Ltd.	Canada	100%	Consolidation
Satipharm AG Switzerland	Switzerland	100%	Consolidation
Satipharm Canada	Canada	100%	Consolidation
Satipharm Australia	Australia	100%	Consolidation
Satipharm Europe Ltd.	U.K.	100%	Consolidation

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

b) New and revised IFRS issued but not yet effective (“IFRS 15”)

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

4. Significant accounting policies (continued)

b) *New and revised IFRS issued but not yet effective ("IFRS 15")*

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for the Company for its year ended June 30, 2019. The Company does not anticipate any material impacts from the implementation of IFRS 9.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for the Company for its year ended June 30, 2020 with early adoption permitted. The Company is assessing the impact of this standard on its financial position and financial performance.

5. Accounts receivable

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

	September 30 2017	June 30 2017
	\$	\$
Taxes receivable from governments	165,155	138,422
Trade and other receivables	195,567	41,619
	360,722	180,041

At the reporting date, none of the receivables were past due or impaired.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

6. Biological assets

The Company's biological assets consist of seeds and medical cannabis plants. The continuity of biological assets for the periods ended September 30, 2017 and June 30, 2017 was as follows:

	September 30 2017	June 30 2017
	\$	\$
Balance, beginning of the period	110,489	-
Purchase of seeds	-	20,914
Changes in fair value less costs to sell due to biological transformation	530,127	670,368
Transferred to inventory upon harvest	(426,066)	(580,793)
Balance, end of the period	214,550	110,489

As at September 30, 2017, included in the carrying amount of biological assets was \$20,914 in seeds and \$193,635 in live plants (\$20,914 in seeds and \$89,575 in live plants at June 30, 2017).

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

- wastage of plants based on their various stages;
- yield by strain of plant;
- percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant; and
- percentage of costs incurred for each stage of plant growth was estimated.

On average, the growth cycle of a cannabis plant is 15 weeks. All of the plants are to be harvested as agricultural produce (i.e. medical cannabis) and as at September 30, 2017, on average, were 51% complete, compared to 37% average stage of completion as at June 30, 2017. Mother plants, or bearer plants, are plants grown for the purpose of taking cuttings in order to grow more quantity of the same plant. Bearer plants are critical to the success of the business however, are not measured for accounting purposes. Bearer plants are plants that, once mature, are held solely to grow produce over their useful life.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

6. Biological assets (continued)

The fair value of biological assets is measured using Level 3 inputs. The Company estimates the harvest yields for the plants at various stages of growth. As of September 30, 2017, it is estimated that the Company's biological assets will yield approximately 95,785 grams of dry cannabis, compared to 92,510 grams of dry cannabis at June 30, 2017. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair value of the biological assets.

7. Inventories

Inventories consist of dry cannabis, Gelpell CBD capsules, and supplies and consumables for use in the production of inventories and the transformation of biological assets.

As at September 30, 2017, the Company held 219.36 kg of dry cannabis (June 30, 2017 – 124.79 kg).

Inventories was comprised of the following items:

	September 30 2017	June 30 2017
	\$	\$
Dry cannabis finished goods	982,795	571,919
Supplies	43,542	33,057
CBD capsules	446,446	608,708
	1,472,783	1,213,684

Cost of inventory is recognized as an expense and included in cost of goods sold. Included in costs of goods sold for the period ended September 30, 2017 is a \$357,412 unrealized gain on changes in the fair value of biological assets and \$152,316 related to the cost of purchased CBD capsules.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

8. Property, plant and equipment

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

	Office equipment	Plant & equipment	Land	Building	Leasehold improvements	Construction in progress	Total
	\$	\$	\$	\$	\$		\$
Cost							
July 1, 2016	88,705	1,963,838	-	1,393,600	3,021,970	-	6,468,113
Additions	122,034	219,806	431,000	2,440,381	23,618	50,581	3,287,420
Disposals	-	(2,308)	-	-	-	-	(2,308)
June 30, 2017	210,739	2,181,336	431,000	3,833,981	3,045,588	50,581	9,753,225
Accumulated depreciation							
July 1, 2016	16,635	48,521	-	146,792	223,489	-	435,437
Depreciation	27,680	259,317	-	43,932	763,935	-	1,094,864
Disposals	-	(2,590)	-	-	-	-	(2,590)
June 30, 2017	44,315	305,248	-	190,724	987,424	-	1,527,711
Net book value							
June 30, 2017	166,424	1,876,088	431,000	3,643,257	2,058,164	50,581	8,225,514
Cost							
July 1, 2017	210,739	2,181,336	431,000	3,833,981	3,045,588	50,581	9,753,225
Additions	24,493	221,615	-	-	115,994	56,596	418,698
September 30, 2017	235,232	2,402,951	431,000	3,833,981	3,161,582	107,177	10,171,923
Accumulated depreciation							
July 1, 2017	44,315	305,248	-	190,724	987,424	-	1,527,711
Depreciation	9,930	101,533	-	27,863	107,920	-	247,246
September 30, 2017	54,245	406,781	-	218,587	1,095,344	-	1,774,957
Net book value							
September 30, 2017	180,987	1,996,170	431,000	3,615,394	2,066,238	107,177	8,396,966

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

9. Accounts payable and accrued liabilities

	September 30 2017	June 30 2017
	\$	\$
Trade payables	368,837	495,932
Accruals	156,919	143,412
Payroll payables	101,065	120,439
Other payables	8,811	7,165
	635,632	766,948

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

10. Due to related party

	September 30 2017	June 30 2017
	\$	\$
Due to related party	228,498	234,390

The amount due to the related party at September 30, 2017 is unsecured, interest free, with no fixed term of repayment.

11. Share capital

a) Authorized

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

b) Issued capital

Immediately prior to the completion of the RTO on April 26, 2017, the Company completed a consolidation of its common shares on the basis of 1.79 pre-consolidation share to one post-consolidation common share for a pre-RTO balance of 2,286,659 common shares outstanding in the Company (note 2).

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

11. Share capital (continued)

b) Issued capital (continued)

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

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

Further, the Company completed a private placement and issued 33,334,000 units at \$0.75 per unit for gross proceeds of \$25,000,500. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for an exercise price of \$1.00 per warrant for a period of 36 months from issuance (Note 2).

United Greeneries was formed on July 31, 2015 by way of an amalgamation pursuant to the British Columbia Business Corporations Act between Bioscience and a wholly-owned subsidiary of Phyto UK ("the Merger").

Immediately preceding and as a condition of the Merger, outstanding convertible debentures in Bioscience Inc. of \$3,152,642 were settled through the issuance of 78,795,460 common shares of Bioscience. Concurrently, 99,206,209 shares of PhytoTech Medical Ltd. and MMJ Bioscience Inc. were amalgamated with 51,000,000 shares of the newly formed United Greeneries Holdings Ltd. being issued to MMJ.

On July 2, 2015, United Greeneries issued 3,750,000 common shares to a non-related entity for the termination of an agreement previously entered into for the acquisition of United Greeneries and Satipharm. The fair value of the shares issued pursuant to the agreement was \$375,000 and was expensed through the combined consolidated statement of loss and comprehensive.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

12. Other reserves

Other reserves activity during the period ended September 30, 2017 is summarized as follows:

	Stock Options	Brokers' Warrant	Contribute d Surplus	Total
	\$	\$	\$	\$
July 1, 2016	-	-	197,143	197,143
Options issued	1,601,81	-	-	1,601,811
Share-based payments (options issued by MM.I)	-	-	292,545	292,545
Warrants issued	-	1,306,27	-	1,306,276
June 30, 2017	1,601,81	1,306,27	489,688	3,397,775
Vesting of issued options	650,323	-	-	650,323
Vesting of share-based payments (options issued by MMJ)	-	-	68,663	68,663
September 30, 2017	2,252,13	1,306,27	558,351	4,116,761

a) Stock options and share-based payments

The Company has established a share purchase option plan whereby the Company's directors may from time to time grant share options to employees and non-employees. The maximum number of shares that may be reserved for issuance under the Plan is 10% of the issued common shares of the Company. Vesting is determined by the Board of Directors.

The Company's stock options at September 30, 2017 and changes for the period ended are as follows:

	Number outstanding	Weighted average exercise price
		\$
Outstanding at September 30, 2017 and June 30, 2017	8,050,000	0.75

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

12. Other reserves (continued)

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

The following table discloses the number of options and vested options at September 30, 2017:

Exercise price	Number of options outstanding	Weighted average exercise price	Number of options exercisable	Expiry date
\$	#	\$	#	
0.75	8,050,000	0.75	1,830,000	April 27, 2022

The Company recorded \$650,323 for the period ended September 30, 2017 (September 30, 2016 - \$Nil) in share-based compensation expense as a result of the vesting of options issued in previous periods.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the year ended June 30, 2017 by applying the following assumptions:

Risk-free interest rate	0.80%
Expected life of options (years)	3.59
Expected annualized volatility	128.23%
Expected dividend yield	Nil

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable, that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the option.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

12. Other reserves (continued)

b) Brokers' warrants

In connection with the private placement on April 26, 2017, the Company issued 2,000,040 warrants to the Brokers ("Brokers' Warrants") with an exercise price of \$0.75 per warrant and which expire 36 months from the date of issue. Upon exercise of the Brokers Warrants, the Company will issue one common share and one-half common share purchase warrant ("Secondary Warrant"). Each whole Secondary Warrant will be exercisable into one common share of the Company with an exercise price of \$1.00 per warrant and expire 36 months from the issuance of the Secondary Warrant. The following table discloses the number of Brokers Warrants at September 30, 2017:

Exercise price	Number of Brokers' warrants outstanding	Weighted average exercise price	Expiry date
\$	#	\$	
0.75	2,000,040	0.75	April 27, 2020

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

Risk-free interest rate	0.80%
Expected life of warrant (years)	3.00
Expected annualized volatility	129%
Expected dividend yield	Nil

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable, that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the warrant.

c) Warrants

In connection with the private placement on April 26, 2017, the Company issued 16,667,000 warrants (Note 11(b)). The following table discloses the number of warrants at September 30, 2017:

Exercise price	Number of Brokers' warrants outstanding	Weighted average exercise price	Expiry date
\$	#	\$	
0.75	16,667,000	0.75	April 27, 2020

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

12. Other reserves (continued)

d) Other

During the period ended September 30, 2017, the Company recorded \$68,663 (September 30, 2016 - \$124,734) in stock based compensation expense as a result of vesting of stock options from the Company's parent, MMJ, issued to employees of Harvest, UG and Satipharm in previous years, whereby the Company incurred the expense as it is the primary recipient of the services provided.

13. Related parties

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

(a) Compensation of key management personnel

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

	September 30 2017	September 30 2016
	\$	\$
Salaries and benefits	189,808	23,415
Consulting fees	69,562	-
Directors' fees	36,000	3,000
Share-based compensation	501,856	-
Total	797,226	26,415

(b) Related parties

At September 30, 2017, there was \$33,000 in directors' fees owing (June 30, 2017 - \$22,000), included in trade and other payables.

During the period ended September 30, 2017, the Company paid \$13,977 (September 30, 2016 - \$Nil) to a company associated with a director of the Company.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

14. Segmented information

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

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

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

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

The operating segments for the period ended September 30, 2017 are as follows:

	Cultivation	Processing and distribution	Corporate	Total
	\$	\$	\$	\$
Revenue	-	174,544	-	174,544
Unrealized gain on changes in fair value of biological assets (note 6)	357,413	-	-	357,413
Inventory expensed to cost of sales	-	(152,317)	-	(152,317)
Cost of goods sold (recovery to cost of goods sold), net of unrealized gain on changes in fair value of biological assets	357,413	(152,317)	-	205,096
Gross profit (loss)	357,413	22,227	-	379,640
Other operating expenses	(642,495)	(191,672)	(1,357,383)	(2,191,550)
Loss from operations	(285,082)	(169,445)	(1,357,383)	(1,811,910)
Net finance gain (expense)	(1,526)	(442)	27	(1,941)
Non-operating expenses	-	(74,333)	-	(74,333)
Net loss	(286,608)	(244,220)	(1,357,356)	(1,888,184)
Total assets	21,793,381	707,086	313,228	22,813,695
Total liabilities	(620,558)	(79,381)	(164,191)	(864,130)

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

14. Segmented information (continued)

The operating segments for the period ended September 30, 2016 are as follows:

	Cultivation	Processing and distribution	Corporate	Total
	\$	\$	\$	\$
Revenue	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit (loss)	-	-	-	-
Other operating expenses	(349,975)	(312,992)	-	(662,967)
Loss from operations	(349,975)	(312,992)	-	(662,967)
Net finance expense (gain)	-	-	(24,756)	(24,756)
Non-operating expenses	-	-	(83,090)	(83,090)
Net loss	(349,975)	(312,992)	(107,846)	(770,813)
Total assets	7,045,579	743,264	-	7,788,843
Total liabilities	(7,049,753)	(2,499,460)	-	(9,549,213)

15. Commitments

On March 8, 2017, the Company entered into a 10-year lease agreement for a ground lease on the property adjacent to the Company's current operations in Duncan, BC. Commencing March 1, 2017, the Company began paying monthly rent at a rate of \$2,275 for the first five years and \$2,616 for the remaining 5 years.

On May 31, 2017, the Company entered into an agreement with GelPell AG for the exclusive marketing, distribution and sale of the GelPell capsules worldwide. As part of this agreement, the Company has yearly minimum purchase commitments.

On May 25, 2017, the Company entered into a lease five-year lease agreement for office space in Vancouver, BC, commencing on February 28, 2017. The Company pays monthly rent at a rate of \$13,038 under this agreement.

On July 27, 2017, the Company entered into a one-year lease agreement for an apartment space in Vancouver, BC, for the housing of Company personnel while in Vancouver on business. The lease commences on August 1, 2017 and the Company pays monthly rent at a rate of \$4,000 under this agreement.

As at September 30, 2017, the Company's commitments that have not been disclosed elsewhere in the condensed combined consolidated interim financial statements were as follows:

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

15. Commitments (continued)

	Within 1 year	2-4 years	Over 4 years	Total
	\$	\$	\$	\$
Operating lease commitments	180,813	555,250	132,96582	869,028
Purchase commitments	558,914	2,147,426	797,610	3,503,950
	739,727	2,702,676	930,575	4,372,978

16. Financial instruments and risk

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

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at September 30, 2017, the Company is exposed to foreign currency risk through its bank accounts denominated in Swiss Francs ("CHF"). A 10% appreciation (depreciation) of the CHF 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 an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents and accounts receivable are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with financial institutions of high credit worthiness. The Company's accounts receivable are primarily receivable from government agencies. As at September 30, 2017, the Company is not exposed to any significant credit risk.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

16. Financial instruments and risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. As at September 30, 2017, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand, and are subject to normal trade terms. As at September 30, 2017 the Company has working capital of \$13,515,647. The Company addresses its liquidity through equity financing obtained through the sale of 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

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related party approximate their fair value due to their short-term maturity.

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 year, there were no transfers of amounts between levels.

Cash and cash equivalents are classified as Level 1 financial instruments. Due to related party is classified as Level 2 financial instruments.

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

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

17. Capital management

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

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

18. Subsequent events

On October 4, 2017, the Company's wholly owned subsidiary, Satipharm, received a free sale certificate by German authorities, establishing the CBD capsule as a food supplement, which reduces constraints for international exports and removes regulatory trading impediments with other European Union jurisdictions.

On October 13, 2017, the Company's wholly owned subsidiary, United Greeneries Ltd., received the amendment to sell dried marijuana to registered patients by Health Canada under the ACMPR.

On November 20, 2017, the Company entered into a bought-deal financing for 15,000 convertible debentures units at a price of \$1,000 per unit for aggregate gross proceeds \$15,000,000. On November 21, 2017, the bought-deal financing was upsized to 17,500 convertible debenture units. Each debenture unit will consist of an unsecured \$1,000 principal amount convertible debenture of the Company (the "Convertible Debentures") and 458 common share purchase warrants (the "Warrant") of the Company. The Convertible Debentures will bear interest from the date of closing at 8.0% per annum, payable semiannually on June 30 and December 31 of each year and will mature 5 years from the date the Convertible Debentures are issued (the "Maturity Date").

The Convertible Debentures will be convertible at the option of the holder into common shares of the Company ("Common Shares") at any time prior to the close of business on the Maturity Date at a conversion price of \$0.84 per share (the "Conversion Price"). The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares be greater than \$1.40 for the consecutive 30 trading days preceding the notice.

Harvest One Cannabis Inc.

Notes to the condensed combined consolidated interim financial statements

For the three months ended September 30, 2017 and 2016

(Expressed in Canadian dollars)

(Unaudited)

18. Subsequent events (continued)

Each warrant entitles the holder thereof to acquire one Common Share for an exercise price equal to \$1.09 at any time up to 36 months following the closing of the offering (subject to adjustment in certain customary events). Provided that if, at any time prior to the expiry date of the warrants, the closing price of the Common Shares on the TSX Venture Exchange equals or exceeds \$1.64 for 10 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of warrants accelerating the expiry date of the warrants to the date that is 30 days following the date of such notice (the "Accelerated Exercise Period"). Any unexercised warrants shall automatically expire at the end of the Accelerated Exercise Period.

The Company will pay to the underwriters a cash commission equal to 6.0% of the aggregate principal amount of the Convertible Debenture and such number of Convertible Debentures (the "Broker Debenture Units") as is equal to 3.0% of the gross proceeds from the bought-deal financing. Each Broker Debenture Unit be comprised of one Convertible Debenture and one Warrant.