Harvest One Cannabis Inc.

Consolidated Financial Statements

For the years ended June 30, 2020 and 2019
(in Canadian dollars)

Harvest One Cannabis Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Harvest One Cannabis Inc.

Opinion

We have audited the accompanying consolidated financial statements of Harvest One Cannabis Inc. (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2020 and had negative cash flows from operations. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Harvest One Cannabis Inc. for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2019.

We draw attention to Note 24 to the consolidated financial statements, which explains that certain comparative information presented for the year ended June 30, 2019 has been reclassified to conform with the presentation requirements of IFRS 5, non-current assets held for sale and discontinued operations

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alyson Neil.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

October 28, 2020

Harvest One Cannabis Inc.

Consolidated statements of financial position

As at June 30, 2020 and 2019

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

	Note	**June 30 2020**	June 30 2019
		$	$
Assets			
Current assets			
Cash		**1,406**	20,301
Accounts receivable	4	**1,671**	3,308
Lease receivable		**100**	—
Inventories	5	**9,288**	9,083
Biological assets	6	—	857
Prepaid expenses and deposits		**898**	1,612
Promissory note		—	255
Assets held for sale	13	**15,050**	—
		28,413	35,416
Lease receivable		**404**	—
Property, plant and equipment	7	**16,392**	31,125
Investment in and loan to associate	8	—	1,865
Intangible assets	9	**12,635**	10,334
Goodwill	12	—	23,583
Total assets		**57,844**	102,323
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	**14,551**	8,301
Loans and lease liabilities	15	**3,893**	101
Liabilities associated with assets held for sale	13	**750**	—
		19,194	8,402
Loans and lease liabilities	15	**2,080**	139
Deferred tax liability	21	—	647
Total liabilities		**21,274**	9,188
Equity			
Share capital	17	**146,203**	125,093
Other reserves	18	**21,800**	18,042
Accumulated other comprehensive loss		**(179)**	(139)
Accumulated deficit		**(134,307)**	(54,450)
Equity attributable to Harvest One shareholders		**33,517**	88,546
Non-controlling interest	11	**3,053**	4,589
Total equity		**36,570**	93,135
Total liabilities and equity		**57,844**	102,323

Going concern (note 2(c))
Commitments and contingencies (note 22)
Subsequent events (note 27)

"Frank Holler"
Frank Holler, Director

"Peter Wall"
Peter Wall, Director

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

Harvest One Cannabis Inc.

Consolidated statements of loss and comprehensive loss

For the years ended June 30, 2020 and 2019

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

		For the year ended June 30	
	Note	**2020**	2019
		$	$
Revenue		**8,407**	5,982
Excise taxes		**23**	—
Net revenue	23	**8,384**	5,982
Inventory expensed to cost of sales		**6,767**	3,966
Inventory write-down		**2,248**	—
Gross (loss) profit		**(631)**	2,016
Expenses			
General and administration	16	**12,181**	12,655
Sales and marketing		**2,216**	2,873
Acquisition costs		**23**	673
Research and development		**179**	100
Depreciation and amortization		**2,493**	339
Share-based compensation	18(a)	**2,022**	4,245
Severance and reorganization costs	19(c)	**394**	1,312
Asset impairment and write-downs	12	**41,123**	6,100
		60,631	28,297
Loss from operations		**(61,262)**	(26,281)
Other (expense) income			
Loss on disposal of assets	8	**(488)**	—
Interest and finance costs		**(804)**	(3)
Earnings (loss) on investment in associate	8(a)	**(195)**	74
Foreign exchange (loss) gain		**(22)**	2
		(1,509)	73
Net loss from continuing operations		**(62,771)**	(26,208)
Loss from discontinued operation	24	**(18,622)**	(1,757)
Net loss		**(81,393)**	(27,965)
Other comprehensive loss			
Foreign currency translation		**(40)**	(56)
Comprehensive loss		**(81,433)**	(28,021)
Net loss attributable to:			
Harvest One Cannabis Inc.		**(79,857)**	(27,852)
Non-controlling interests	11	**(1,536)**	(113)
Comprehensive loss attributable to:			
Harvest One Cannabis Inc.		**(79,897)**	(27,908)
Non-controlling interests	11	**(1,536)**	(113)
Net loss per share – basic and diluted		**(0.37)**	(0.15)
Weighted average number of outstanding common shares		**214,642,221**	179,774,376

HARVEST ONE

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

Harvest One Cannabis Inc.

Consolidated statements of changes in equity

For the years ended June 30, 2020 and 2019

(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, 2018		173,621,452	117,736	13,856	(83)	(26,598)	—	104,911
Common shares issued for acquisitions	10(b)	11,848,295	6,926	—	—	—	—	6,926
Warrants exercised	18	350,104	431	(131)	—	—	—	300
Share-based compensation	18	—	—	4,245	—	—	—	4,245
Foreign currency translation		—	—	—	(56)	—	—	(56)
Non-controlling interest	11	—	—	—	—	—	4,274	4,274
Change in ownership interests in subsidiary	11	—	—	72	—	—	428	500
Net loss		—	—	—	—	(27,852)	(113)	(27,965)
Balance, June 30, 2019		185,819,851	125,093	18,042	(139)	(54,450)	4,589	93,135
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	10(a), 17(b)	28,272,622	20,639	—	—	—	—	20,639
Options and warrants issued for acquisition	10(a), 18	—	—	1,255	—	—	—	1,255
Warrants issued	18	—	—	481	—	—	—	481
Share-based compensation	18	—	—	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**

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

Harvest One Cannabis Inc.

Consolidated statements of cash flows

For the years ended June 30, 2020 and 2019

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

		For the year ended June 30	
	Note	**2020**	2019
		$	$
Operating activities			
Net loss		**(81,393)**	(27,965)
Adjustments to reconcile non-cash items			
Depreciation and amortization		**3,073**	879
Asset impairment and write-downs	12	**41,123**	6,100
Impairment loss on remeasurement of disposal group	23	**10,167**	—
Inventory write-down	5, 24	**7,377**	181
Loss on disposal of assets	7, 8	**1,318**	1,285
Share-based compensation	18	**2,022**	4,245
Issuance of common shares for services	17(b)	**471**	—
Issuance of warrants	18	**481**	—
Interest and accretion on loans and borrowings	15(a)	**233**	(5)
Loss (earnings) from investment in associate	8(a)	**195**	(74)
Unrealized change in fair value of biological assets	6	**(4,208)**	(3,992)
Realized fair value amounts included in inventory sold	24	**3,240**	4,499
Fair value adjustment in inventory expensed to cost of sales		**1,409**	468
Changes in working capital			
Cash reclassed as asset held for sale		**(88)**	—
Accounts and lease receivable		**2,025**	(2,288)
Inventories		**(6,365)**	(5,549)
Prepaid expenses and deposits		**586**	(70)
Accounts payable and accrued liabilities		**(25)**	2,322
Net cash used in operating activities		**(18,359)**	(19,964)
Investing activities			
Purchase of property, plant and equipment	7	**(6,293)**	(11,114)
Proceeds from sale of property, plant and equipment		**1,320**	—
Proceeds from sale of intangible assets		**10**	—
Purchase of intangible assets	9	**(22)**	(148)
Proceeds from sale of investment in associate	8	**1,513**	—
Investment in and loan to associate	8	**(250)**	(1,791)
Acquisition of businesses, net of cash acquired	10	**86**	(4,023)
Promissory note		**—**	(250)
Net cash used in investing activities		**(3,636)**	(17,326)
Financing activities			
Change in ownership interests in subsidiary		**—**	500
Proceeds from loans and borrowings	15(a), (b)	**3,500**	—
Repayment of loans and borrowings		**(334)**	(40)
Warrants exercised		**—**	300
Net cash provided by financing activities		**3,166**	760
Effect of foreign exchange on cash		**(66)**	(15)
Change in cash during the year		**(18,895)**	(36,545)
Cash, beginning of the year		**20,301**	56,846
Cash, end of the year		**1,406**	20,301

Supplemental cash flow information (note 20)

1. Nature of operations

Harvest One Cannabis Inc. ("Harvest One") is a publicly traded corporation, incorporated in Canada, with its head office registered at 1400 – 885 West Georgia Street, Vancouver, BC, V6C 3E8. 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 years ended June 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 24).

2. Significant accounting policies

a) *Basis of presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated statements were approved and authorized for issue by the Board of Directors of the Company on October 28, 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 20% since the last fiscal quarter. However, net revenue of continued business for the fiscal year ended June 30, 2020 have improved by 35% 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 consolidated 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 financings, equity financings, or asset sales. 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.

The Company had a consolidated net loss of $81,393 and negative operating cash flows of $18,359 for the year ended June 30, 2020 and an accumulated deficit of $134,307 as at June 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.

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

2. Significant accounting policies (continued)

d) *Basis of measurement*

These consolidated 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. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date in accordance with IFRS 13 – *Fair Value Measurement*.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. Further information on fair value measurements is available in note 6 with respect to biological assets and in note 25 with respect to financial instruments.

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 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

During the year ended June 30, 2020, United Greeneries Saskatchewan Ltd. was dissolved.

2. Significant accounting policies (continued)

e) *Basis of consolidation (continued)*

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Non-controlling interest in the acquiree is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively during the measurement period. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

Asset acquisitions

Acquisitions which do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid is allocated to the identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Investment in associate

As associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company accounts for its investment in associate using the equity method.

Under the equity method, the Company's investment in associate is initially recognized at cost, including transaction costs, and subsequently increased or decreased to recognize the Company's share of net earnings or losses of the associate after any adjustments necessary to give effect to uniform accounting policies and for impairment losses after the initial recognition date. The Company's share of earnings or losses of the associate are recognized in net loss during the period. Unrealized gains and losses on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

The Company assesses if there are any indicators of impairment of the carrying amount of the investment on an annual basis during the fourth quarter. An impairment test is performed when there is objective evidence of impairment, such as significant adverse changes in the external environment in which the associate operates or a significant or prolonged decline in the fair value of the investment below its carrying amount. An impairment loss is recorded when the recoverable amount becomes lower than the carrying amount.

f) *Foreign currency translation*

The presentation and functional currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions are translated into the individual entity's functional currency at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the individual entity at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Significant accounting policies (continued)

f) *Foreign currency translation (continued)*

The assets and liabilities of foreign operations are translated in Canadian dollars at year-end exchange rates while income and expenses, and cash flows are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in equity.

g) *Biological assets*

The Company's biological assets consist of cannabis plants and seeds. The Company measures the biological assets in accordance with IAS 41 - *Agriculture* at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Fair value is determined based on expected future cash flows of the in-process biological assets less costs to complete. Costs to sell include post-harvest production, shipping, and fulfillment costs. Unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the results of operations of the related year. Seeds are measured at cost which approximates fair value.

h) *Production costs*

Production costs include the direct and indirect costs incurred prior to the harvest of cannabis plants. These costs include a portion of labour, quality and testing, depreciation, and utilities.

i) *Inventories*

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value.

Inventories of purchased product are valued at the lower of cost and net realizable value.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

j) *Property, plant and equipment*

Property, plant and equipment is measured at cost less accumulated depreciation. Depreciation is provided on a straight line basis over the asset's useful life commencing from the time the asset is available for use. The depreciation rates used for each class of depreciable asset are:

Office equipment	3 – 5 years
Plant and equipment	3 – 25 years
Building and leasehold improvements	23 – 40 years

An asset's residual value and useful life are reviewed during each financial year and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in the consolidated statement of loss and comprehensive loss.

Construction in progress is transferred to the appropriate category of property, plant and equipment when available for use and depreciation of the asset commences at that point.

k) *Finite-life and indefinite-life intangible assets*

Intangible assets with a finite life are recorded at cost less accumulated amortization. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives:

Technology and formulations	3 years
Website	5 years
Brand names	6 years
Customer relationships	7 years

2. Significant accounting policies (continued)

k) *Finite-life and indefinite-life intangible assets (continued)*

The estimated useful life and amortization method are reviewed during each financial year and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are comprised of in-process R&D which are carried at cost. In-process R&D is not yet available for use and is not subject to amortization. Indefinite life intangible assets are not amortized but are tested for impairment annually and when there is an indication of impairment.

l) *Goodwill*

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash-generating unit (“CGU”) to which it relates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

m) *Impairment of long-lived assets*

Long-lived assets, including property, plant and equipment and intangible assets are evaluated to determine whether there is any indication that these assets are impaired at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

n) *Warrants in associate*

The Company classifies its warrants in associate as financial assets at fair value through profit or loss (“FVTPL”). At initial recognition, the warrants are recognized at fair value and remeasured at the end of each reporting period with subsequent changes in fair value being recognized in net loss for the period. Warrants with a positive fair value are recognized as a financial asset and are not offset in the consolidated financial statements. The warrants are presented as non-current if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

o) *Discontinued operations*

A discontinued operation is a component of the Company’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative year.

2. Significant accounting policies (continued)

p) *Assets held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

q) *Share capital*

The Company's common shares are classified as equity instruments. Incremental costs directly related to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant.

r) *Revenue recognition*

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, with an element of variable consideration for sales allowances to account for the potential return of goods. Net revenue as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable taxes, expected price discounts, and allowances for customer returns.

Gross revenue from continuing and discontinued operations includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

Where the excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from sale of goods, as presented on the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes. As excise tax payable/paid to CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.

The Company's contracts with customers for the sales of cannabis, liquid sleep shots and sleep powder packets and CBD Gelpell® microsphere capsules ("CBD Gelpell® capsules") consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when the Company satisfies its performance obligation upon delivery to the customer.

s) *Loss per share*

Basic loss per share is calculated by dividing net loss by the weighted average number of outstanding common shares during the year. Diluted loss per share is calculated similarly but includes potential dilution from the exercise of warrants and stock options, except when the effect would be anti-dilutive.

t) *Income taxes*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in the consolidated statement of loss and comprehensive loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

2. Significant accounting policies (continued)

u) *Share-based compensation*

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from other reserves to share capital.

v) *Financial instruments*

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	Fair value through profit or loss
Accounts receivable	Amortized cost
Promissory note	Amortized cost
Warrants in associate	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

Financial assets

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss or amortized cost. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Accounts receivables and promissory notes are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition accounts receivables and promissory notes are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Financial liabilities at fair value are stated at fair value with changes being recognized in the consolidated statement of loss and comprehensive loss. Other liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2. Significant accounting policies (continued)

v) *Financial instruments (continued)*

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

w) *Critical accounting estimates and judgments*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Biological assets and inventory

In calculating the fair value of biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, average or expected selling prices, wastage and expected yields for the cannabis plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value.

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Share-based compensation

In calculating share-based compensation expense, the Company includes key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company’s share price, and the risk-free interest rate.

Warrants

In calculating the value of warrants, the Company includes key estimates such as the expected life of the warrants, the volatility of the Company’s share price, and the risk-free interest rate.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – *Business Combinations*, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity’s relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests’ proportionate share of this equity in the acquiree’s identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

2. Significant accounting policies (continued)

w) *Critical accounting estimates and judgments (continued)*

Goodwill and intangibles impairment

The Company performs an annual impairment test for goodwill and indefinite life intangible assets in the fourth quarter and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit.

For the purpose of impairment testing, goodwill and indefinite life intangible assets are allocated to CGUs representing the lowest level that the assets are monitored for internal reporting purpose. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses estimates and assumptions, including actual operating results, future business plans, economic projections and market data.

Income taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

3. New accounting standards and interpretations

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2019.

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued by the International Accounting Standards Board ("IASB") replacing IAS 17 – Leases ("IAS 17") and related interpretations and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the current operating/finance lease dual accounting model for lessees and replaces it with a single, on-balance sheet accounting model, similar to the previous finance lease accounting.

The Company has updated its accounting policy for leasing to reflect the adoption of IFRS 16 as detailed below.

Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Accounting as a lessee

For contracts that contain a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is assessed for impairment losses, should a trigger be identified and adjusted for impairment if required.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability is comprised of fixed lease payments and lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

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

3. New accounting standards and interpretations (continued)

Short-term leases and lease of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systemic basis over the lease term.

Critical accounting estimates and judgments

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges. Judgment is applied in determination of the stand-alone price of the lease and non-lease components.

Transition to IFRS 16

The Company adopted IFRS 16 using the modified retrospective method which does not require restatement of comparative periods. Therefore, the comparative information has not been restated and continues to be reported under IAS 17.

The Company used the following additional practical expedients:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systemic basis over the lease term;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term of the contract contains options to extend or terminate the lease.

The Company elected to measure the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. On transition to IFRS 16, the Company recognized $882 of right-of-use assets and $882 of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted-average rate applied is 14.5%.

Operating lease commitments at June 30, 2019	$1,759
Discounted using the incremental borrowing rate at July 1, 2019	14.5%
Finance lease liabilities recognized as at June 30, 2019	**1,282**
Recognition exception for short-term leases	(89)
Scope changes due to IFRS 16	(311)
Lease liabilities at July 1, 2019	**$882**

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability at July 1, 2019, are determined as the carrying amounts of the lease asset and lease liability under IAS 17 immediately before that date.

Accounting as a lessor

When the Company acts as a lessor, it will determine at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

On transition to IFRS 16, the Company did not recognize any adjustments as at July 1, 2019.

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

3. New accounting standards and interpretations (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 provides guidance that adds to the requirements in IAS 12, Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If not, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Company adopted IFRIC 23 effective July 1, 2019 and was applied using the modified retrospective approach without restatement of comparative information. There was no material impact on the Company's consolidated financial statements

4. Accounts receivable

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

	June 30 2020	June 30 2019
	$	$
Trade receivables	**1,339**	2,577
Taxes recoverable from governments	**332**	731
	1,671	3,308

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.

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

5. Inventories

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

	June 30 2020	June 30 2019
	$	$
Cannabis		
Work-in-progress	**3,698**	3,974
Finished goods	**1,005**	1,328
	4,703	5,302
CBD capsules and oils		
Raw materials and work-in-progress	**313**	1,399
Finished goods	**2,353**	748
	2,666	2,147
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	**23**	650
Finished goods	**1,619**	652
	1,642	1,302
Pain relief creams		
Raw materials and work-in-progress	**612**	—
Finished goods	**275**	—
	887	—
Packaging and supplies	**840**	332
Inventory allowance	**(1,450)**	—
	9,288	9,083

a) *Cannabis*

As part of the sale of the Duncan Facility and Mission Road facility, certain cannabis inventory has been classified from inventory to assets held for sale. Cannabis inventory on hand at June 30, 2020 pertains to harvested cannabis and extracted cannabis for use in the development and sale of Cannabis 2.0 products.

b) *Liquid sleep shots and sleep powder packets*

The Company regularly assesses the net realizable value of its liquid sleep shots and sleep powder packets. During the year ended June 30, 2020, the Company recognized a write-down of $798 (2019 – $nil) to reduce the carrying amount of liquid sleep shot and sleep powder packet inventory to its estimated net realizable value.

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).

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

6. Biological assets

The continuity of biological assets at June 30, 2020 and 2019, which consists of seeds and cannabis plants, is as follows:

	June 30 2020	June 30 2019
	$	$
Balance, beginning of year	**857**	904
Unrealized change in fair value of biological assets in discontinued operations (note 24)	**4,208**	3,992
Transferred to inventory upon harvest	**(4,254)**	(4,039)
Transferred to assets held for sale	**(811)**	—
Balance, end of year	—	857

Biological assets are valued in accordance with IAS 41 – *Agriculture* and are presented at their fair value less costs to sell up to the point of harvest. The fair value measurements for biological assets have been categorized as Level 3 of the fair value hierarchy based on the inputs to the valuation technique used, as there is currently no actively traded commodity market for plants. The fair value was determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated fair value less costs to sell per gram. The significant assumptions applied in determining the fair value of biological assets are as follows:

a) wastage of plants based on their various stages;
b) expected yield by strain of plant of approximately 27 grams per plant based on an average of historical growing results (June 30, 2019 – approximately 21 grams per plant);
c) percentage of costs incurred to date compared to the estimated total costs to be incurred (“stage of plant growth”);
d) percentage of costs incurred for each stage of plant growth;
e) average selling price of $8.30 per gram (2019 – between $7.80 and $10.20 per gram); and
f) average selling costs of $2.90 per gram (2019 – between $1.50 and $3.80 per gram).

The selling price used in the valuation of biological assets is based on the average selling price of cannabis products for the recreational market and can vary based on different strains being grown. Expected yields for the cannabis plant is also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. Selling costs include packaging, labelling, shipping, and other costs incurred to sell cannabis products for the recreational market.

The Company periodically assesses the significant assumptions applied in determining the fair value of biological assets based on historical information obtained as well as planned production schedules. When there is a material change in any of the significant assumptions, the fair value of biological assets is adjusted.

During the year ended June 30, 2020, the Company determined that the fair value less costs to sell was $5.40 per gram (2019 – $6.30 per gram). These estimates are subject to volatility and a number of uncontrollable factors which could significantly affect the fair value of biological assets in future periods. On average, the growth cycle is 13 weeks and for in-process biological assets, the fair value at point of harvest is adjusted based on the stage of plant growth.

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

7. 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, 2018	2,575	386	5,257	1,395	1,809	—	11,422
Additions	143	132	19	—	12,252	—	12,546
Additions from Greenbelt acquisition	2,742	17	6,604	461	—	—	9,824
Transfers	388	—	—	—	(388)	—	—
Disposals and write-downs	(1,278)	—	—	—	(327)	—	(1,605)
June 30, 2019	4,570	535	11,880	1,856	13,346	—	32,187
Accumulated depreciation							
July 1, 2018	628	98	156	—	—	—	882
Depreciation	334	113	200	—	—	—	647
Disposals and write-downs	(467)	—	—	—	—	—	(467)
June 30, 2019	495	211	356	—	—	—	1,062
Net book value							
June 30, 2019	4,075	324	11,524	1,856	13,346	—	31,125
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 10(a))	481	—	—	—	—	—	481
Transfers to assets held for sale (note 13)	(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 (note 13)	(291)	(50)	(341)	—	—	(18)	(700)
Disposals and write-downs	(467)	(80)	(285)	—	—	(90)	(922)
June 30, 2020	77	220	—	—	—	80	377
Net book value							
June 30, 2020	**949**	**167**	**—**	**—**	**15,202**	**74**	**16,392**

Of total depreciation of $937 (2019 – $647) recorded during the year ended June 30, 2020, $357 (2019 – $107) and $217 (2019 – $158) was recorded as depreciation expense from continuing and discontinued operations, respectively, and $363 (2019 – $382) was capitalized to cannabis inventory and subsequently as production costs.

a) *Construction in progress*

Additions to construction in progress during the year ended June 30, 2020 mainly relate to: (1) the construction of a 68,000 square foot indoor facility at the Lucky Lake property in Saskatchewan; and (2) the modular expansion on the land adjacent to the Duncan facility ("Mission Road Facility"). 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.

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

7. Property, plant and equipment (continued)

b) *Disposals and write-downs*

During the year ended June 30, 2020, the Company announced a transaction to divest its Duncan Facility and Mission Road Facility. As a result, an impairment loss of $8,758 was recognized on property, plant and equipment upon remeasurement and $12,984 of property, plant and equipment was classified as assets held for sale.

During the year ended June 30, 2020, the Company disposed of $2,056 from property, plant and equipment for proceeds of $1,320, of which $5 pertained to assets from continuing operations and $2,051 pertained to assets from discontinued operations.

During the year ended June 30, 2020, the Company de-recognized $512 and $61 of right-of-use assets resulting from the sub-lease and termination of certain lease agreements. As a result, the Company recognized $534 lease receivables and de-recognized $63 of lease liabilities, resulting in a gain on disposal of assets of $24.

During the year ended June 30, 2019, approximately $52 in costs related to a facility which the Company decided not to proceed with, $279 in costs related to other planned projects, and $807 in costs related to replaced equipment were written-off. These costs consisted of amounts capitalized in construction in progress and plant and equipment.

c) *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.

8. Investment in and loan to associate

The summary of the Company's investment in and loan to associate is as follows:

	Notes	**June 30 2020**	June 30 2019
		$	$
Investment in associate	(a)	—	1,102
Warrants in associate		—	763
		—	1,865

On February 25, 2020, the Company sold its 19.99% equity stake in Burb Cannabis Corp. ("Burb") back to the founders of Burb and forgave a shareholder loan and interest with a carrying value of $256 in exchange for cash consideration of $1,513. In addition, Burb and Harvest One concurrently agreed to terminate Harvest One's option to purchase a majority equity interest in Burb as well as outstanding warrants in the capital of Burb held by Harvest One, valued at $763. The Company recognized a loss of $413 included in loss on disposal of assets.

a) *Investment in associate*

The following table summarizes the carrying amount of the Company's interest in Burb:

Company's share (%)		19.99%
Balance, June 30, 2018	$	—
Additions		1,319
Share of loss for the year ended June 30, 2019		(217)
Balance, June 30, 2019		1,102
Share of loss for the year ended June 30, 2020		(195)
Sale of investment in associate		(907)
Balance, June 30, 2020		—

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

8. Investment in and loan to associate (continued)

b) *Loan to associate*

On September 18, 2019, the Company loaned Burb $250 following Burb's receipt of its first retail cannabis licence. The interest rate on the loan was 6% per annum and had a maturity of 2.5 years. The loan was forgiven as described above.

9. 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, 2018	4,190	—	—	1,540	58	5,788
Additions	—	—	—	—	148	148
Additions from PhytoTech acquisition	—	—	4,659	—	—	4,659
June 30, 2019	4,190	—	4,659	1,540	206	10,595
Accumulated amortization						
July 1, 2018	—	—	—	19	10	29
Amortization		—	—	220	12	232
June 30, 2019	—	—	—	239	22	261
Net book value						
June 30, 2019	4,190	—	4,659	1,301	184	10,334
Cost						
July 1, 2019	4,190	—	4,659	1,540	206	10,595
Additions	—	—	—	—	22	22
Additions from Delivra acquisition (note 10(a))	1,853	2,286	470	—	—	4,609
Transfer to technology and formulations	—	4,659	(4,659)	—	—	—
Disposals and writedowns	—	(132)	—	—	(90)	(222)
June 30, 2020	6,043	6,813	470	1,540	138	15,004
Accumulated amortization						
July 1, 2019	—	—	—	239	22	261
Amortization	1,007	892	—	220	17	2,136
Disposals and writedowns	—	(28)	—	—	—	(28)
June 30, 2020	1,007	864	—	459	39	2,369
Net book value						
June 30, 2020	**5,036**	**5,949**	**470**	**1,081**	**99**	**12,635**

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

10. Asset acquisitions and business combinations

a) *Acquisitions completed during the year ended June 30, 2020*

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

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

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

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

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

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

10. Asset acquisitions and business combinations (continued)

a) *Acquisitions completed during the year ended June 30, 2020 (continued)*

During the year ended June 30, 2020, management finalized the purchase price allocation of Delivra and adjusted the based on estimated fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. As a result of measurement period adjustments, management retrospectively recorded an $11,061 decrease in net assets acquired, resulting in $11,061 increase to goodwill.

For the year ended June 30, 2020, Delivra contributed revenues of $2,954 and a net loss of $2,806 since the July 3, 2019 acquisition date.

b) *Acquisitions completed during the year ended June 30, 2019*

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

Acquisition completed during the year ended June 30, 2019	PhytoTech (i)	Greenbelt (ii)	Total
	$	$	$
Consideration transferred			
Cash paid	1,000	3,250	4,250
Common shares issued	3,580	3,346	6,926
Cash acquisition costs paid	103	—	103
	4,683	**6,596**	**11,279**
Purchase price allocation			
Net assets acquired	24	8,904	8,928
Intangible assets			
In process R&D	4,659	—	4,659
Non-controlling interest	—	(4,274)	(4,274)
Goodwill	—	1,966	1,966
	4,683	**6,596**	**11,279**
Non-controlling interest at acquisition (%)	*0%*	*48%*	
Net assets acquired			
Cash	28	302	330
Accounts receivables	2	51	53
Prepaid expenses and deposits	—	7	7
Inventories	—	104	104
Property, plant and equipment	—	9,824	9,824
Assets acquired	30	10,288	10,318
Accounts payable and accrued liabilities	(6)	(457)	(463)
Finance leases	—	(280)	(280)
Deferred tax liability	—	(647)	(647)
	24	**8,904**	**8,928**
Net cash outflows			
Cash consideration	1,103	3,250	4,353
Less: cash acquired	(28)	(302)	(330)
	1,075	**2,948**	**4,023**
Acquisition costs expensed			
Year ended June 30, 2019	—	152	152

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

10. Asset acquisitions and business combinations (continued)

b) *Acquisitions completed during the year ended June 30, 2019 (continued)*

(i) PhytoTech Therapeutics Ltd.

On November 20, 2018, the Company acquired 100% of the net assets of PhytoTech, an Israeli-based pharmaceutical research and development ("R&D") company that develops cannabinoid-based drug products for a variety of clinical trials to service the medical market and administers clinical trials using Satipharm's proprietary CBD Gelpell® capsules.

The Company acquired all of the outstanding shares of PhytoTech from the Company's shareholder MMJ Group Holdings Limited ("MMJ") for a total consideration of $4,580, which consisted of $1,000 cash and 8,326,695 common shares with a fair value of $3,580 based on the closing share price of the Company's common shares on November 20, 2018.

The acquisition was a related party transaction, measured at the exchange value being the amounts agreed to by the parties, and was reviewed and approved by the independent members of the Company's Board of Directors. The transaction was accounted for as an asset acquisition.

(ii) Greenbelt Greenhouse Ltd.

On March 29, 2019, the Company acquired a 52% ownership interest in Greenbelt, a private Canadian company located in Hamilton, Ontario to control significant production of high-quality greenhouse grown cannabis for newly infused formulations of the Company's existing brands. The Company acquired 52% of Greenbelt's issued and outstanding shares for an aggregate consideration of $6,596, consisting of $3,250 cash and 3,521,600 common shares, with a fair value of $3,346 based on the closing share price of the Company's common shares on March 29, 2019.

The transaction was accounted for as a business combination in accordance with IFRS 3 – Business Combinations. The non-controlling interest recognized at the acquisition date was recorded at its proportionate share of Greenbelt's fair value of identifiable net assets.

Goodwill arose from the acquisition as the consideration paid reflects: (1) the benefit of the acquired workforce and (2) 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.

11. Non-controlling interests

The continuity of Greenbelt's non-controlling interest at June 30, 2020 and 2019 as follows:

Company's ownership interest (%)		50.1%
Balance, June 30, 2018	$	—
Non-controlling interest arising on acquisition of Greenbelt		4,274
Non-controlling interest adjustment for change in ownership interests		428
Share of loss for the year ended June 30, 2019		(113)
Balance, June 30, 2019		4,589
Share of loss for the year ended June 30, 2020		(1,536)
Balance, June 30, 2020		**3,053**

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

11. Non-controlling interests (continued)

The following table presents the summarized financial information for the years ended June 30, 2020 and 2019:

	June 30 2020	June 30 2019
	$	$
Current assets	—	352
Non-current assets	—	9,748
Assets held for sale	**6,721**	—
Current liabilities	—	(137)
Noncurrent liabilities	—	(785)
Liabilities associated with assets held for sale	**(621)**	—
Net revenue	—	—
Net loss	—	(226)
Comprehensive loss	**(3,078)**	(226)

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 June 30, 2020, $nil funds have been drawn from the secured bridge loan facility.

12. Goodwill

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

	June 30 2020	June 30 2019
	$	$
Balance, beginning of year	**23,583**	27,717
Additions (note 10)	**19,506**	1,966
Impairment of goodwill	**(43,089)**	(6,100)
Balance, end of year	—	23,583

At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that an asset may be impaired. As part of this assessment, the Company considers both external and internal sources of information, including the overall financial performance and relevant entity-specific factors. During the year ended June 30, 2020, the Company identified the following impairment indicators: (1) a decline in stock price resulting in the carrying amount of the Company's net assets exceeding the Company's market capitalization and (2) a delay in expected sales and profitability compared to management's initial forecasts primarily driven by slower than expected development of the cannabis market in Canada. Furthermore, the assumptions used by management to value goodwill arising from previous acquisitions have been revised due to rapidly evolving market conditions. As a result of these indicators, management performed impairment tests during the year ended June 30, 2020. For the purpose of the impairment tests, management assessed the Dream Water, Delivra, and Greenbelt as separate CGUs and as the lowest level at which management monitors goodwill.

During the year ended June 30, 2020, the Company recognized impairment charges of $41,123 (2019 - $6,100) in the consumer segment and $1,966 (2019 - $nil) in discontinued operations (see note 24) to reduce the carrying value to the recoverable amount.

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

12. Goodwill (continued)

The recoverable amount of the Dream Water and Delivra CGUs was determined using the fair value less costs to dispose method. Management estimated the recoverable amount of goodwill and indefinite life intangible assets based on discounted cash flows (five-year projections and a terminal year thereafter for the Dream Water CGU and eight year projects and a terminal year thereafter for the Delivra CGU) and incorporated assumptions that would be used by an independent market participant. The key assumptions used in the calculation of the recoverable amount include future cash flows and growth rates, future weighted average cost of capital and terminal growth rate. Management used a range of growth rates between 3% to 20%, discount rates between 19.0% and 21.6%, and terminal growth rates of between 2% and 3%. These key assumptions were based on historical data from internal sources as well as industry and market trends.

13. 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 March 31, 2020, the Company completed the sale of the Lillooet Property for cash consideration of $770. In connection with the sale, the Company recognized a loss of $587 included in discontinued operations (see note 24).

As at June 30, 2020, the assets held for sale is comprised of assets of $15,050 less liabilities of $750 , related to the Company’s 50.1% ownership interest in Greenbelt and its Duncan Facility and Mission Road Facility, detailed as follows:

Cash	$	88
Accounts receivable		7
Inventories		1,058
Biological assets		811
Prepaid expenses and deposits		102
Property, plant and equipment		12,984
Accounts payable and accrued liabilities		(432)
Loans and lease liabilities (note 15(b))		(318)
Balance, June 30, 2020		**14,300**

During the year ended June 30, 2020, the Company recognized a $10,167 impairment charge upon classifying these assets as held for sale (see note 24).

On August 26, 2020 and October 15, 2020, the Company completed the sale of the Duncan Facility and Mission Road Facility as well as the sale of its 50.1% ownership interest in Greenbelt, respectively, as described in note 27(a) and note 27(b).

14. Accounts payable and accrued liabilities

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

	June 30 2020	June 30 2019
	$	$
Trade payables	**10,745**	3,586
Accrued liabilities	**2,607**	4,143
Payroll liabilities	**342**	325
Other payables	**857**	247
	14,551	8,301

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

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

15. Loans and lease liabilities

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

	Notes	**June 30 2020**	June 30 2019
		$	$
Secured and unsecured loans	(a)	**3,249**	—
Secured loan from related party	(b)	**2,139**	—
Lease liabilities	(c)	**585**	240
Total loans and lease liabilities		**5,973**	240
Current portion		**(3,893)**	(101)
Non-current portion		**2,080**	139

a) *Secured and unsecured loans*

In connection with the Delivra acquisition on July 3, 2019 (note 10), 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 3, 2019	Accretion	Repayments	**Total**
			$	$	$	$	**$**
Balance, July 1, 2019							—
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,064	(10)	—	**1,054**
ACOA 201246	16%	2019	17	3	2	(5)	—
ACOA 202454	16%	2022	85	62	9	(15)	**56**
ACOA 203110	16%	2024	197	134	20	(27)	**127**
ACOA 205145	16%	2020	37	27	3	(13)	**17**
ACOA 206091	16%	2022	76	55	8	(12)	**51**
ACOA 206924	16%	2025	117	71	11	(11)	**71**
ACOA 207593	16%	(i)	484	306	54	—	**360**
Finance PEI	9%	2020	47	35	1	(23)	**13**
Balance, June 30, 2020			3,920	1,757	98	(106)	**1,749**

(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 to August 31, 2022.

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 13). The Bridge Facility is secured by general security agreements over the Company's, and its United Greeneries subsidiaries', assets (the "Assets"), as well as guarantees provided by United Greeneries. 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 as described in note 27(a).

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

15. Loans and lease liabilities

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"), secured by all current and subsequently acquired property of the Company and certain property of its subsidiaries. The Loan bears 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 18(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 as described in note 27(a).

c) *Lease liabilities*

The continuity of the Company's lease liabilities at June 30, 2020 and 2019 is as follows:

Balance, June 30, 2018	$	—
Additions on acquisition of Greenbelt		280
Lease payments		(46)
Interest expense on lease liabilities		6
Balance, June 30, 2019		240
Recognition of lease liabilities on initial application of IFRS 16 (note 3)		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 (note 13)		(318)
Termination of lease liability		(63)
Balance, June 30, 2020		585
Current portion		(166)
Non-current portion		**419**

For the year ended June 30, 2020, the Company recorded $198 rent expense relating to short term leases.

16. General and administration expenses

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

	June 30 2020	June 30 2019
	$	$
Insurance	**506**	121
Investor relations	**403**	211
Office and general	**967**	1,359
Professional and consulting services	**2,352**	2,682
Regulatory	**122**	53
Rent	**198**	426
Salaries, bonus and benefits	**7,152**	7,022
Travel	**481**	781
	12,181	12,655

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

17. Share capital

a) *Authorized*

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

b) *Issued capital*

At June 30, 2020, 215,079,486 common shares (2019 – 185,819,851) were issued and fully paid.

During the years ended June 30, 2020 and 2019, the Company issued common shares as follows:

	Note	Number of shares	Share capital	Reserves
		#	$	$
Year ended June 30, 2019				
Acquisition of PhytoTech (note 10)	10(b)	8,326,695	3,580	—
Acquisition of Greenbelt (note 10)	10(b)	3,521,600	3,346	—
Exercise of warrants		350,104	431	(131)
		12,198,399	7,357	(131)
Year ended June 30, 2020				
Acquisition of Delivra (note 10)	10(a)	28,272,622	20,639	—
Common shares issued for services		987,013	471	—
		29,259,635	21,110	—

18. Other reserves

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

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2018	3,465	9,648	743	13,856
Share-based compensation	4,245	—	—	4,245
Warrants exercised	—	(131)	—	(131)
Change in ownership interests in subsidiaries (note 11)	—	—	72	72
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**

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

18. Other reserves (continued)

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 at June 30, 2020 and 2019 is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30, 2018	9,025,000	0.82
Granted	12,460,000	0.79
Expired	(2,113,334)	0.75
Forfeited	(1,586,666)	0.98
Outstanding at June 30, 2019	17,785,000	0.79
Granted	4,342,918	0.80
Expired	(3,712,683)	0.77
Forfeited	(7,831,922)	0.77
Outstanding at June 30, 2020	**10,583,313**	**0.82**

In connection with the Delivra acquisition on July 3, 2019 (note 10), the Company issued 2,907,918 replacement options to holders of Delivra options. Each stock option entitles the holder to purchase one common share at an exercise price between $0.59 to $1.26 for a period of one to five years following the grant date.

During the year ended June 30, 2020, the Company granted a total of 1,435,000 stock options under the Company's stock option incentive plan to certain directors, officers and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price between $0.17 to $0.56 for a period of five years following the grant date.

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

18. 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 year ended June 30, 2020 and 2019 by applying the following assumptions:

	June 30 2020	June 30 2019
Risk-free interest rate	**1.22% – 1.80%**	1.35% – 2.29%
Expected life of options (years)	**0.6 – 4.3**	3.6
Expected annualized volatility	**75.00% – 92.50%**	86.47% – 102.56%
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 June 30, 2020 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
August 21, 2020[(1)]	59,500	1.18	59,500
September 11, 2020[(1)]	4,777	1.26	4,777
November 30, 2020	440,300	0.84	440,300
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
July 3, 2023	992,333	0.77	992,333
September 18, 2023	800,000	0.91	266,668
October 12, 2023	297,500	0.61	297,500
April 22, 2024	2,118,334	0.85	871,673
June 17, 2024	300,000	0.68	100,000
July 31, 2024	360,000	0.56	—
August 26, 2024	45,000	0.55	45,000
September 4, 2024	725,000	0.52	60,000
January 21, 2025	25,000	0.17	—
	10,583,313		**7,397,070**

(1) Subsequent to June 30, 2020, these options expired unexercised.

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

18. Other reserves (continued)

b) *Warrants*

The continuity of the Company's warrants at June 30, 2020 and 2019 is as follows:

	RTO Warrants	Brokers' RTO Warrants, Secondary Warrants (i)	Debenture Warrants	Units Offering and Brokers' Units Offering Warrants	Dream Water Warrants	Delivra Warrants (ii)	MMJ Warrants (iii)	Total number outstanding	Weighted average exercise price
								#	$
Outstanding at June 30, 2018	3,376,468	1,300,036	5,901,282	22,778,846	517,000	—	—	33,873,632	1.88
Issued	—	100,002	—	—	—	—	—	100,002	1.00
Exercised	(150,000)	(200,004)	(100)	—	—	—	—	(350,104)	0.86
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**

[1] During the year ended June 30, 2020, these warrants expired unexercised.

(i) Brokers' RTO Warrants and Secondary Warrants

In connection with the private placement on April 26, 2017, the Company issued 2,000,040 warrants to the Brokers ("Brokers' RTO 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' RTO 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. During the year ended June 30, 2019, the Company issued 100,002 Secondary Warrants resulting from the exercise of 200,004 Brokers' RTO Warrants.

(ii) Delivra Warrants

In connection with the Delivra acquisition on July 3, 2019 (note 10), 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

(iii) 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

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

18. Other reserves (continued)

b) *Warrants (continued)*

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

	Issued	Exercised	Expired	Outstanding	Exercise price	Expiry date
	#	#	#	#	$	
Reverse Take-Over ("RTO") Warrants	16,667,000	13,440,532	3,226,468	—	1.00	Apr 27, 2020
Brokers' RTO warrants	2,000,040	1,400,008	600,032	—	0.75	Apr 27, 2020
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
Units Offering Warrants	22,115,385	—	22,115,385	—	2.30	Jan 31, 2020
Brokers' Units Offering Warrants	663,461	—	663,461	—	2.30	Jan 31, 2020
Dream Water Warrants	517,000	—	—	517,000	1.00	May 29, 2021
Delivra Warrants	72,455	—	72,455	—	0.59	Apr 5, 2020
Delivra Warrants	2,119,047	—	2,119,047	—	0.84	Apr 5, 2020
MMJ Warrants	17,083,333	—	—	17,083,333	0.06	Apr 3, 2022
	71,431,607	**18,533,242**	**28,796,848**	**24,101,517**		

19. Related parties

The summary of the Company's related party transactions during the year ended June 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:

	June 30 2020	June 30 2019
	$	$
Salaries and benefits	**1,906**	1,448
Severance costs	**73**	947
Consulting fees	—	80
Directors' fees	**150**	124
Share-based compensation	**1,381**	3,555
Total	**3,510**	6,154

b) *Payments to related parties*

As at June 30, 2020, there was $117 directors' fees (2019 – $33) and $643 bonus payments (2019 – $597) included in accounts payable and accrued liabilities. During the year ended June 30, 2020, the Company paid $nil (2019 – $22) in legal fees to a law firm owned by a director of the Company.

c) *Severance payments*

During the year ended June 30, 2019, the Company paid $750 to the former Chief Executive Officer and $120 to the former Chief Financial Officer in accordance with the terms of their mutual separation agreements, which is included in severance and reorganization costs.

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

20. Supplemental cash flow information

Additional supplementary cash flow information for the years ended June 30, 2020 and 2019 is as follows:

	June 30 2020	June 30 2019
	$	$
Additions to property, plant and equipment included in in accounts payable	**2,848**	1,432
Additions to right of use assets	**954**	—
Forgiveness of loan to associate	**256**	—
Common shares issued for acquisitions (note 10)	**20,639**	6,926
Options and warrants issued for acquisitions (note 10)	**1,255**	—
Warrants issued as finance fees	**481**	—
Interest paid	**135**	6

21. Income taxes

Income tax recovery differs from expected income tax recovery if the Canadian federal and provincial statutory income tax rates were applied to loss before taxes. The principal factors causing these differences are shown below:

	June 30 2019	June 30 2019
	$	$
Loss before income taxes	**(81,393)**	(27,965)
Statutory tax rates	**27.0%**	27.0%
Expected income tax recovery	**(21,976)**	**(7,551)**
Difference in foreign tax rates	**575**	425
Effect of change in tax rates	**12**	7
Effect of goodwill impairment	**11,634**	—
Effect of assets held for sale	**647**	—
Adjustment to prior year tax estimates	**(1,397)**	—
Non-deductible expenses	**672**	3,008
Foreign currency translation	**(98)**	37
Change in unrecognized deferred tax assets	**9,806**	4,182
Other	**125**	(108)
Income tax recovery	—	—

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

21. Income taxes (continued)

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

	June 30 2019	Deferred tax assets (liabilities) assumed from acquisition	Deferred tax assets (liabilities) moved to assets held for sale	Recovered through (charged to) earnings	**June 30 2020**
	$	$	$	$	**$**
Deferred tax assets					
Non-capital losses	9,762	3,368	(334)	7,190	**19,986**
Finance costs	1,621	44	—	(537)	**1,128**
Biological assets	314	—	—	(314)	**—**
Property, plant and equipment	(542)	173	(1,680)	2,249	**200**
Other	42	—	—	126	**168**
Total deferred tax assets	11,197	3,585	(2,014)	8,714	**21,482**
Deferred tax liabilities					
Inventories	(33)	(373)	—	406	**—**
Intangible assets	—	(1,221)	—	528	**(693)**
Total deferred tax liabilities	(33)	(1,594)	—	934	**(693)**
Net deferred tax assets (liabilities)	11,164	1,991	(2,014)	9,648	**20,789**
Deferred tax assets not recognized	(11,811)	(1,991)	2,661	(9,648)	**(20,789)**
Deferred tax liabilities	(647)	—	647	—	**—**

The Company has accumulated non-capital losses from various jurisdictions for the year ended June 30, 2020 for income tax purposes, which may be deducted in the calculation of taxable income in future years. The Canadian non-capital losses will be expiring between 2028 and 2040.

	June 30 2020	June 30 2019
	$	$
Canada	**65,556**	33,618
Australia	**39**	38
USA	**2,865**	554
Switzerland	**4,725**	1,858
Ireland	**4,244**	2,122
UK	**1,958**	347
Israel	**3,364**	59
Total	**82,751**	38,596

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

22. Commitments and contingencies

As at June 30, 2020, 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	1,035	1,035
	1,035	**1,035**

a) *Capital commitments*

On October 17, 2018, the Company entered into an agreement to purchase four custom designed modular buildings to be installed on the Mission Road Facility. Phase one of the project has been completed, with completion of phases two and three currently on hold. In addition, capital commitments include amounts committed for the construction of the Lucky Lake Facility and for Gelpell® production equipment. On August 26, 2020, the Company completed the sale of the Duncan Facility and Mission Road Facility as described in note 27(a). As a result, $275 of capital commitments associated with the Mission Road Facility was terminated subsequent to year end.

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 not been set. 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 and it is possible that there will be a future cash outflow made by United Greeneries Operations.

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

23. 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 June 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 year ended June 30, 2020 and 2019 are as follows:

	Year ended June 30, 2020				Year ended June 30, 2019			
	Medical and Nutraceutical	**Consumer**	**Corporate**	**Total**	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	$	$	$	$
Net revenue	**602**	**7,782**	**—**	**8,384**	235	5,747	—	5,982
Gross (loss) profit before fair value adjustments	**(1,355)**	**724**	**—**	**(631)**	(46)	2,062	—	2,016
Gross (loss) profit	**(1,355)**	**724**	**—**	**(631)**	(46)	2,062	—	2,016
Expenses	**2,674**	**46,330**	**11,627**	**60,631**	2,869	16,591	8,837	28,297
Net loss from continuing operations	**(4,036)**	**(45,871)**	**(12,864)**	**(62,771)**	(2,902)	(14,556)	(8,750)	(26,208)

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

23. Segmented information (continued)

The Company generates net revenue from three geographical locations:

Net revenue	**June 30 2020**	June 30 2019
	$	$
Canada	**3,579**	557
US	**4,203**	5,190
Europe	**602**	235
Total	**8,384**	5,982

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	**June 30 2020**	June 30 2019
	$	$
Canada	**24,918**	51,681
US	**—**	10,567
Israel	**4,513**	4,659
Total	**29,431**	66,907

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

24. Discontinued operation

Following the Strategic Review announced in February 2020, management committed to a plan to further sell certain components of its Cultivation segment. As at June 30, 2020, the Company's 50.1% ownership interest in Greenbelt and its Duncan Facility and Mission Road Facility have been classified as held for sale (see note 13).

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.

	Notes	**June 30 2020**	June 30 2019
		$	$
Net revenue		**3,405**	5,483
Cost of sales			
Production costs		**2,652**	2,721
Inventory expensed to cost of sales	(a)	**1,264**	1,082
Inventory write-down		**5,129**	181
Gross (loss) profit before fair value adjustments		**(5,640)**	1,499
Realized fair value amounts included in inventory sold	(a)	**3,240**	4,499
Unrealized change in fair value of biological assets		**(4,208)**	(3,992)
Gross (loss) profit		**(4,672)**	992
Expenses		**3,149**	1,562
Other (expense) income			
Loss on remeasurement of disposal group	(b)	**(10,167)**	—
Loss on disposal of assets	(c)	**(830)**	(1,285)
Interest and finance costs		**203**	98
Foreign exchange (loss) gain		**(7)**	—
Loss from discontinued operation		**(18,622)**	(1,757)
Net loss attributable to:			
Harvest One Cannabis Inc.		**(17,086)**	(1,644)
Non-controlling interests		**(1,536)**	(113)
Net loss per share – basic and diluted		**(0.08)**	(0.01)

a) *Cannabis inventory*

During the year ended June 30, 2020, cost of sales on cannabis inventory sold was $4,504 (2019 – $5,580), of which $3,240 (2019 – $4,499) related to realized fair value changes and $1,264 (2019 – $1,082) related to costs incurred to sell cannabis inventory.

The Company regularly reviews its cannabis inventory for quality and freshness. During the year ended June 30, 2020, 968 kg of cannabis inventory did not meet the Company's quality standards for dried flower sale and therefore, was as extraction grade cannabis or destroyed. As a result, the Company recognized a write-down of $4,378 of cannabis inventory to reduce the carrying amount to its estimated net realizable value. In addition, the Company recognized a write-down of $751 of packaging and supplies.

b) *Loss on remeasurement of disposal group*

During the year ended June 30, 2020, the Company recognized a $10,167 loss in connection with the remeasurement of the disposal group. Of this, $1,966 was written off from goodwill, $8,758 was written off from property, plant and equipment, $90 was written off from intangible assets, and $647 was recovered from the derecognition of deferred tax liability.

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

24. Discontinued operation (continued)

c) *Loss on disposal of assets*

During the year ended June 30, 2020, the Company disposed of $2,051 from property, plant and equipment and $99 from prepaid expenses and deposits. The Company received $1,320 cash consideration in connection with these disposals and recognized a loss of $830 on the disposal of assets recorded in discontinued operations

During the year ended June 30, 2019, the Company terminated a five-year lease agreement for a site located in Aldergrove, British Columbia ("BC") for the construction of a 59,000 square foot facility. The Company completed a feasibility audit and, in light of the results and regulatory changes, decided not to proceed with this facility. During the year ended June 30, 2019, approximately $200 in costs related to the Aldergrove site were written-off. These costs consisted of $52 capitalized in property, plant and equipment and $147 recorded in prepaid expenses and deposits.

During the year ended June 30, 2019, the Company commenced a modular expansion that will increase the annual production capacity of harvested cannabis on the land adjacent to the Duncan facility which United Greeneries has under lease. As a result, the amounts capitalized in property, plant, and equipment of approximately $278 related to other planned projects for the previously vacant land were written-off.

During the year ended June 30, 2019, the Company underwent a security upgrade at its Duncan facility to replace its existing security equipment. As a result, the Company recognized an impairment of $807 to reduce the carrying amount of the existing equipment to its net realizable value.

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

	June 30 2020	June 30 2019
	$	$
Net cash used in operating activities	**1,045**	8,923
Net cash used in investing activities	**(2,964)**	(14,247)
Net cash used in financing activities	**(59)**	460
Change in cash during the year	**(1,978)**	(4,864)

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

25. 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 June 30, 2020, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD"), Euros ("Euros"), British Pounds ("GBP"), Swiss Francs ('CHF"), Australian Dollars ("AUD"), and Israeli New Shekel ("ILS"). A 10% appreciation (depreciation) of USD, Euros, GBP, CHF, AUD, or ILS against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at June 30, 2020, the Company is not exposed to any significant credit risk.

As at June 30, 2020, the Company's aging of receivables was approximately as follows:

	June 30 2020	June 30 2019
	$	$
0 – 60 days	**1,090**	2,240
61 – 120 days	**249**	337
	1,339	2,577

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2020, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of $28,413 and current liabilities of $19,194. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value hierarchy

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

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

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

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

25. Financial instruments and risk (continued)

During the year ended June 30, 2020, there were no transfers of amounts between fair value levels.

Cash is classified as a Level 1 financial instrument.

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

26. Capital management

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

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2020.

27. Subsequent events

a) *Sale of Duncan Facility and Related Operations*

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. In addition to the closing of the Duncan Transaction, Harvest One will commence its previously announced licencing agreement with the Purchasers (the "Licence Agreement"), which provides Harvest One with the distribution of Cannabis 2.0 products in Canada including LivRelief's cannabis-infused topical creams currently available in six provinces across Canada.

In conjunction with the closing of the Duncan Transaction, the previously-announced: (i) $1,500 Bridge Facility from Costa LLP was repaid in full; and (ii) the secured Loan from MMJ, including interest and legal fees, totaling $2,206 was repaid in full. In addition, upon closing of the Duncan Transaction, pursuant to a finder's fee agreement entered into on February 26, 2020, between the Company and Mr. Andreas Gedeon relating to the Duncan Facility, the Company paid an arms-length finder's fee in the amount of $253 to Mr. Gedeon.

b) *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 cash 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.