Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and six months ended December 31, 2018 and 2017
(in Canadian dollars)

Harvest One Cannabis Inc.

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Harvest One Cannabis Inc.

Condensed consolidated interim statements of financial position

(Expressed in Canadian dollars)

(Unaudited)

	Note	**December 31 2018**	June 30 2018
		$	$
Assets			
Current assets			
Cash		**40,982,296**	56,845,541
Accounts receivable	4	**2,864,105**	989,817
Inventories	5	**5,446,701**	4,743,966
Biological assets	6	**952,065**	904,017
Prepaid expenses and deposits		**1,425,139**	1,681,369
		51,670,306	65,164,710
Non-current assets			
Property, plant and equipment	7	**14,092,982**	10,540,200
Investment in associate	8	**1,741,777**	–
Intangible assets	9	**7,824,838**	5,759,187
Goodwill	10, 11	**30,103,931**	27,557,000
		53,763,528	43,856,387
Total assets		**105,433,834**	109,021,097
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**3,520,734**	4,109,365
Total liabilities		**3,520,734**	4,109,365
Equity			
Share capital		**121,466,853**	117,736,375
Other reserves	12	**16,265,704**	13,856,419
Accumulated other comprehensive loss		**(94,102)**	(82,749)
Accumulated deficit		**(35,725,355)**	(26,598,313)
Total equity		**101,913,100**	104,911,732
Total liabilities and equity		**105,433,834**	109,021,097

"Frank Holler"
Frank Holler, Director

"Grant Froese"
Grant Froese, Director

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Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss
For the three and six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

	Note	For the three months ended December 31		For the six months ended December 31	
		2018	2017	**2018**	2017
			Restated – See Note 2(d)		*Restated – See Note 2(d)*
		$	$	**$**	$
Revenue	16	**3,984,034**	4,740	**5,663,325**	179,284
Excise taxes	3(a)	**(242,252)**	–	**(242,252)**	–
Net revenue		**3,741,782**	4,740	**5,421,073**	179,284
Cost of sales					
Production costs		**(793,748)**	(616,422)	**(1,441,525)**	(1,174,945)
Inventory expensed to cost of sales		**(1,192,902)**	(8,325)	**(2,352,612)**	(160,641)
Inventory write-down	5	**–**	(210,000)	**–**	(210,000)
Gross profit (loss) before fair value adjustments		**1,755,132**	(830,007)	**1,626,936**	(1,366,302)
Realized fair value amounts included in inventory sold	5	**(1,770,002)**	–	**(2,273,448)**	–
Change in fair value of biological assets	6	**1,142,337**	570,595	**2,352,076**	1,100,722
Gross profit (loss)		**1,127,467**	(259,412)	**1,705,564**	(265,580)
Operating expenses					
Brand development and marketing		**(339,924)**	(49,787)	**(934,430)**	(101,678)
Depreciation and amortization		**(106,999)**	(50,505)	**(185,448)**	(98,125)
General and administration		**(243,180)**	(234,192)	**(445,918)**	(369,326)
Insurance		**(99,789)**	(23,475)	**(203,239)**	(49,839)
Investor relations		**(123,714)**	(151,146)	**(182,261)**	(211,966)
Professional and consulting services		**(599,650)**	(485,768)	**(1,194,035)**	(599,361)
Regulatory		**(4,506)**	(18,460)	**(5,240)**	(33,710)
Rent and operating lease		**(112,558)**	(45,375)	**(194,115)**	(91,190)
Salaries and benefits	14	**(1,617,486)**	(462,424)	**(3,035,484)**	(993,060)
Severance and reorganization costs	14	**(76,785)**	–	**(1,192,159)**	–
Share-based compensation	12	**(834,472)**	(676,684)	**(2,409,285)**	(1,395,670)
Terminated projects	7(b)	**(14,699)**	–	**(346,805)**	–
Travel		**(181,291)**	(112,646)	**(422,039)**	(172,279)
		(4,355,053)	(2,310,462)	**(10,750,458)**	(4,116,204)
Loss from operations		**(3,227,586)**	(2,569,874)	**(9,044,894)**	(4,381,784)
Net finance costs	13	**(7,746)**	(753,951)	**(15,046)**	(755,892)
Share of loss from investment in associate	8(a)	**(45,847)**	–	**(45,847)**	–
Unrealized loss on warrants in associate	8(b)	**(3,596)**	–	**(3,596)**	–
Foreign exchange		**(46,793)**	(18,522)	**(17,659)**	(92,855)
Net loss		**(3,331,568)**	(3,342,347)	**(9,127,042)**	(5,230,531)
Item that may be reclassified subsequently to net loss:					
Foreign currency translation		**16,412**	7,910	**(11,353)**	4,920
Other comprehensive income (loss)		**16,412**	7,910	**(11,353)**	4,920
Comprehensive loss		**(3,315,156)**	(3,334,437)	**(9,138,395)**	(5,225,611)
Net loss per share – basic and diluted		**(0.02)**	(0.04)	**(0.05)**	(0.06)
Weighted average number of outstanding common shares		**177,629,038**	90,952,663	**175,625,245**	89,175,060

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of changes in equity
For the six months ended December 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Total
		#	$	$	$	$	$
Balance, July 1, 2017		89,177,458	33,843,668	3,397,775	(89,019)	(14,030,673)	23,121,751
Convertible debentures units issued	13	–	–	7,603,657	–	–	7,603,657
Equity portion of issuance costs on convertible debenture units	13	–	–	(875,398)	–	–	(875,398)
Convertible debentures converted	13	10,083,330	6,724,333	(1,361,235)	–	–	5,363,098
Warrants exercised	12	663,166	994,749	(331,583)	–	–	663,166
Share-based compensation	12	–	–	1,395,670	–	–	1,395,670
Foreign currency translation		–	–	–	4,920	–	4,920
Net loss		–	–	–	–	(5,230,531)	(5,230,531)
Balance, December 31, 2017		99,923,954	41,562,750	9,828,886	(84,099)	(19,261,204)	32,046,333
Balance, July 1, 2018		173,621,452	117,736,375	13,856,419	(82,749)	(26,598,313)	104,911,732
Common shares issued in PhytoTech Therapeutics Ltd. acquisition	10	8,326,695	3,580,478	–	–	–	3,580,478
Warrants exercised	12	150,000	150,000	–	–	–	150,000
Share-based compensation	12	–	–	2,409,285	–	–	2,409,285
Foreign currency translation		–	–	–	(11,353)	–	(11,353)
Net loss		–	–	–	–	(9,127,042)	(9,127,042)
Balance, December 31, 2018		**182,098,147**	**121,466,853**	**16,265,704**	**(94,102)**	**(35,725,355)**	**101,913,100**

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows

For the three and six months ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

		For the three months ended December 31		For the six months ended December 31	
	Note	**2018**	2017	**2018**	2017
			Restated – See Note 2(d)		*Restated – See Note 2(d)*
		$	$	**$**	$
Operating activities					
Net loss		**(3,331,568)**	(3,342,347)	**(9,127,042)**	(5,230,531)
Adjustments to reconcile non-cash items					
Depreciation and amortization	7, 9	**174,781**	50,505	**335,245**	98,125
Inventory write-down		**–**	210,000	**–**	210,000
Loss on disposal of property, plant and equipment	7	**–**	–	**4,364**	–
Share-based compensation	12	**834,472**	676,684	**2,409,285**	1,395,670
Net finance costs	13	**–**	692,595	**–**	692,595
Terminated projects	7(b)	**–**	–	**332,106**	–
Share of net loss from investment in associate	8(a)	**45,847**	–	**45,847**	–
Unrealized loss on warrants in associate	8(b)	**3,596**	–	**3,596**	–
Change in fair value of biological assets	6	**(1,142,337)**	(570,595)	**(2,352,076)**	(1,100,722)
Realized fair value amounts included in inventory sold	5	**1,770,002**	–	**2,273,448**	–
Fair value adjustment included in inventory expensed to cost of sales		**16,102**	–	**467,533**	–
Changes in non-cash working capital					
Accounts receivable		**(1,460,854)**	(25,928)	**(1,858,564)**	(206,609)
Inventories		**(794,726)**	(10,935)	**(1,382,268)**	156,032
Prepaid expenses and deposits		**819,919**	(401,049)	**278,875**	(454,029)
Accounts payable and accrued liabilities		**(57,671)**	178,479	**(629,757)**	47,163
Net cash used in operating activities		**(3,122,437)**	(2,542,591)	**(9,199,408)**	(4,392,306)
Investing activities					
Acquisition of property, plant and equipment	7	**(3,316,189)**	(204,304)	**(3,971,580)**	(623,002)
Acquisition of intangible assets	9	**(9,595)**	(900)	**(11,695)**	(9,725)
Investment in associate	8	**(26,221)**	–	**(1,791,221)**	–
Acquisition of PhytoTech, net of cash acquired	10	**(972,370)**	–	**(972,370)**	–
Net cash used in investing activities		**(4,324,375)**	(205,204)	**(6,746,866)**	(632,727)
Financing activities					
Convertible debenture units issued	13	**–**	20,125,000	**–**	20,125,000
Issuance costs on convertible debenture units	13	**–**	(1,324,744)	**–**	(1,324,744)
Warrants exercised	12	**150,000**	663,166	**150,000**	663,166
Repayment to related party	14	**–**	(28,952)	**–**	(34,844)
Net cash provided by financing activities		**150,000**	19,434,470	**150,000**	19,428,578
Effect of foreign exchange on cash		**(42,031)**	7,910	**(66,971)**	4,920
(Decrease) increase in cash during the period		**(7,338,843)**	16,903,819	**(15,863,245)**	14,820,365
Cash, beginning of the period		**48,321,139**	12,162,866	**56,845,541**	14,246,320
Cash, end of the period		**40,982,296**	29,066,685	**40,982,296**	29,066,685

HARVEST ONE

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

1. Nature of operations

Harvest One Cannabis Inc. ("Harvest One") is a publicly traded corporation, incorporated in Canada, with its head office located at 2650 – 1066 West Hastings Street, Vancouver, BC, V6E 3X1. Harvest One's common shares are listed on the TSX Venture Exchange under the symbol "HVT".

These condensed consolidated interim financial statements as at and for the three and six months ended December 31, 2018 and 2017 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 wholly-owned subsidiaries: United Greeneries Ltd. ("United Greeneries"), a Licensed Producer of cannabis pursuant to the *Cannabis Act*; Satipharm Limited ("Satipharm"), the Company's medical and nutraceutical arm; and Dream Water Global ("Dream Water"), the Company's consumer arm. The Company's medical and nutraceutical arm was enhanced with the acquisition of PhytoTech Therapeutics Ltd. ("PhytoTech"), an Israeli-based pharmaceutical research and development ("R&D") company. The Company also has exposure to the retail vertical through its investment in Burb Cannabis Corp. ("Burb").

2. Significant accounting policies

a) *Basis of presentation*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 - *Interim Financial Reporting*, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended June 30, 2018 other than those disclosed in notes 2(e) and 3(a). These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on February 26, 2019.

b) *Basis of measurement*

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

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.

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

c) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The table below lists the Company's subsidiaries, investment in affiliate 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
United Greeneries Saskatchewan Ltd.	Canada	100%	Consolidation
Satipharm AG	Switzerland	100%	Consolidation
Satipharm Canada Limited	Canada	100%	Consolidation
Satipharm Australia Pty Ltd.	Australia	100%	Consolidation
Satipharm Europe Ltd.	UK	100%	Consolidation
Satipharm Limited	Ireland	100%	Consolidation
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
Dreaming Koala, LLC	USA	100%	Consolidation
Green Dream Products, LLC	USA	100%	Consolidation
PhytoTech Therapeutics Ltd.	Israel	100%	Consolidation
Burb Cannabis Corp.	Canada	19.99%	Equity

d) Classification of expenses

For the three and six months ended December 31, 2017, $174,423 and $347,138 of production costs were disclosed as part of change in fair value of biological assets on the condensed consolidated interim statement of loss and comprehensive loss. The Company has reclassified an additional $441,999 and $827,807 of previously reported operating expenses to production costs for the three and six months ended December 31, 2017, which is included in cost of sales. The reclassifications primarily relate to depreciation of the Company's facility where cannabis is cultivated, security costs of the facility, security labour, quality assurance costs, and quality assurance labour. A quantitative analysis of the line items affected is summarized below:

For the three months ended December 31, 2017	As reported	Adjustments	**As restated**
	$	$	**$**
Production costs	–	(616,422)	**(616,422)**
Change in fair value of biological assets	396,172	174,423	**570,595**
Operating expenses			
Depreciation and amortization	(259,739)	209,234	**(50,505)**
General and administration	(409,654)	175,462	**(234,192)**
Regulatory	(154,364)	18,959	**(135,405)**
Salaries and benefits	(500,768)	38,344	**(462,424)**

For the six months ended December 31, 2017	As reported	Adjustments	**As restated**
	$	$	**$**
Production costs	–	(1,174,945)	**(1,174,945)**
Change in fair value of biological assets	753,584	347,138	**1,100,722**
Operating expenses			
Depreciation and amortization	(510,025)	411,900	**(98,125)**
General and administration	(661,778)	292,452	**(369,326)**
Regulatory	(198,881)	48,226	**(150,655)**
Salaries and benefits	(1,068,289)	75,229	**(993,060)**

2. Significant accounting policies (continued)

d) Classification of expenses (continued)

The Company commenced sales of medical cannabis during the year ended June 30, 2018. As a result, the Company had a change in estimate and updated its fair value less costs to sell assumption in its biological assets valuation model. In conjunction with the updated valuation model, the Company concluded that all production costs, including those utilized in the valuation model for the calculation of the change in fair value of biological assets, should be presented in cost of sales. The Company believes this presentation is more appropriate for the understandability of the financial information by the users of the condensed consolidated interim financial statements.

In addition, the Company reclassed $116,945 of operating expenses from regulatory to professional and consulting services for the three and six months ended December 31, 2018, to conform with current period presentation.

e) Significant accounting policies

As a result of the investment in associate and warrants in associate as described in note 8, the Company has included two significant accounting policies in addition to those disclosed in the annual audited consolidated financial statements for the year ended June 30, 2018:

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.

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 condensed consolidated interim financial statements. The warrants are presented as a 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.

3. New accounting standards and interpretations

a) New or amended standards effective July 1, 2018

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2018.

IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued by the International Accounting Standards Board ("IASB") replacing IAS 18 – *Revenue* ("IAS 18"). The Company adopted IFRS 15 using the modified retrospective approach and determined that there is no impact of adoption in accumulated deficit. The standard contains a five-step model that applies to contracts with customers to determine how and when to recognize revenue.

1. Identifying the contract with a customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

The Company generates revenue from the following: (1) sale of cannabis under the Company's Cultivation segment; (2) sale of liquid sleep shots and sleep powder packets under the Company's Consumer segment; and (3) sale of Gelpell microgel cannabidiol capsules ("Gelpell CBD capsules") under the Company's Medical and Nutraceutical segment. Revenue from these segments is recognized when the Company transfers control of the good to the customer upon delivery. The transaction price is typically a fixed amount of customer consideration with an element of variable consideration for sales allowances to account for the potential return of goods. The Company's previous revenue recognition policy under IAS 18 was to recognize revenue at the time the goods were shipped and the adoption of IFRS 15 had no material impact on the revenue previously recognized.

Effective October 17, 2018, Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and adult-use cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to the customer. The excise taxes payable is the higher of: (1) a flat-rate duty which is imposed when a cannabis product is packaged; and (2) an advalorem duty that is imposed when a cannabis product is delivered to the customer. 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 condensed consolidated interim statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes. Given that the 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.

Based on the Company's assessment, the adoption of this new standard had no material impact on the amounts recognized in its condensed consolidated interim financial statements.

3. New accounting standards and interpretations (continued)

a) *New or amended standards effective July 1, 2018 (continued)*

IFRS 9 – *Financial Instruments* ("IFRS 9")

IFRS 9 replaced IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") and all previous versions of IFRS 9. The Company adopted IFRS 9 using the modified retrospective approach and determined that there is no impact of adoption in the comparative periods or in accumulated deficit.

IFRS 9 introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs. Financial assets are subsequently measured at:

- Amortized cost;
- Fair value through other comprehensive income ("FVOCI"); or
- FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Other liabilities
Warrants in associate	Not applicable	FVTPL

<u>Impairment of financial assets</u>

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its accounts receivable using the ECL model and no material difference was noted based on a collectability assessment of the outstanding receivables. As a result, no impairment loss has been recognized upon transition.

(Expressed in Canadian dollars)

3. New accounting standards and interpretations (continued)

b) Recent accounting pronouncements

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which will replace IAS 17 – *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company intends to adopt IFRS 16 on July 1, 2019 and is currently assessing the impact of this new standard on its consolidated financial statements.

4. Accounts receivable

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

	December 31 2018	June 30 2018
	$	$
Trade receivables	**2,221,019**	459,757
Taxes receivable from governments	**634,161**	529,962
Other receivables	**8,925**	98
	2,864,105	989,817

At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

5. Inventories

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

	December 31 2018	June 30 2018
	$	$
Harvested cannabis		
Work-in-process	**1,362,158**	3,083,977
Finished goods	**1,794,691**	–
	3,156,849	3,083,977
Gelpell CBD capsules		
Raw materials	**437,803**	139,531
Finished goods	**542,646**	–
	980,449	139,531
Liquid sleep shots and sleep powder packets		
Raw materials	**343,392**	259,952
Finished goods	**465,152**	1,006,180
	808,544	1,266,132
Packaging, supplies and consumables	**500,859**	254,326
	5,446,701	4,743,966

(Expressed in Canadian dollars)

5. Inventories (continued)

a) *Harvested cannabis*

During the three and six months ended December 31, 2018, cannabis inventory expensed to cost of sales was $1,943,698 and $2,480,376 (2017 - $nil and $nil), of which $1,770,002 and $2,273,448 (2017 - $nil and $nil) related to realized fair value changes and $173,696 and $206,928 (2017 - $nil and $nil) related to costs incurred to sell harvested cannabis inventory.

The Company regularly reviews its harvested cannabis inventory for quality and freshness. During the three and six months ended December 31, 2017, 69,270 grams of cannabis inventory did not meet the quality standards for dried flower sale and therefore, was sold as extraction grade cannabis. As a result, the Company impaired $210,000 of harvested cannabis to reduce the carrying amount to its estimated net realizable value. No further write-downs of harvested cannabis were recorded since December 31, 2017.

6. Biological assets

The continuity of biological assets, which consists of seeds and cannabis plants, is as follows:

	December 31 2018	June 30 2018
	$	$
Balance, beginning of period	**904,017**	110,489
Change in fair value of biological assets	**2,403,370**	3,595,541
Transferred to inventory upon harvest	**(2,355,322)**	(2,802,013)
Balance, end of period	**952,065**	904,017

As at December 31, 2018, included in the carrying amount of biological assets was $20,914 in seeds and $931,151 in cannabis plants (June 30, 2018 – $20,914 in seeds and $883,103 in cannabis plants).

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 20 grams per plant based on a trailing 12 month average of historical growing results (June 30, 2018 – approximately 20 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) selling price which is between $7.70 and $10.20 per gram; and
f) selling costs which is between $0.70 and $2.40 per gram.

The selling price used in the valuation of biological assets is based on the historical average selling price of all cannabis products 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.

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.

(Expressed in Canadian dollars)

6. Biological assets (continued)

During the three and six months ended December 31, 2018, the Company determined that no change in the fair value less costs to sell of $6.45 per gram was warranted as a result of the newly enacted adult-use market along with the introduction of the excise duty tax. The majority of the adult-use transactions are wholesale through provincial distribution agencies and as a result, the average fair value less costs to sell decreased due to lower selling prices, which was offset by lower selling costs incurred by the Company.

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. A 10% increase or decrease in the fair value less costs to sell or in the expected yield would result in an increase or decrease of approximately $80,000 in biological assets at December 31, 2018 (June 30, 2018 – $126,000).

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. As at December 31, 2018, on average, the biological assets were 51% complete as to the next expected harvest date (June 30, 2018 – 64%).

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	Total
	$	$	$	$	$	$
Cost						
July 1, 2017	2,181,336	210,739	6,022,593	431,000	907,557	9,753,225
Additions	491,873	148,275	255,769	963,980	901,725	2,761,622
Disposals	(57,503)	–	–	–	–	(57,503)
June 30, 2018	2,615,706	359,014	6,278,362	1,394,980	1,809,282	12,457,344
Accumulated depreciation						
July 1, 2017	444,426	45,499	998,693	–	–	1,488,618
Depreciation	222,668	59,204	146,654	–	–	428,526
June 30, 2018	667,094	104,703	1,145,347	–	–	1,917,144
Net book value						
June 30, 2018	1,948,612	254,311	5,133,015	1,394,980	1,809,282	10,540,200
Cost						
July 1, 2018	2,615,706	359,014	6,278,362	1,394,980	1,809,282	12,457,344
Additions	115,652	38,756	4,094	–	3,813,078	3,971,580
Disposals	(4,364)	–	–	–	(195,233)	(199,597)
December 31, 2018	2,726,994	397,770	6,282,456	1,394,980	5,427,127	16,229,327
Accumulated depreciation						
July 1, 2018	667,094	104,703	1,145,347	–	–	1,917,144
Depreciation	132,479	48,642	38,080	–	–	219,201
December 31, 2018	799,573	153,345	1,183,427	–	–	2,136,345
Net book value						
December 31, 2018	**1,927,421**	**244,424**	**5,099,029**	**1,394,980**	**5,427,127**	**14,092,982**

(Expressed in Canadian dollars)

7. Property, plant and equipment (continued)

a) *Construction in progress*

Additions to construction in progress during the three and six months ended December 31, 2018 mainly relate to: (1) the construction of a 65,000 square foot indoor flowering facility at the Lucky Lake property in Saskatchewan; and (2) the modular expansion on the land adjacent to the Duncan facility as described in note 7(b). 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.

b) *Terminated projects*

On August 10, 2018, 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 three and six months ended December 31, 2018, approximately $15,000 and $200,000 in costs related to the Aldergrove site were written-off. These costs consisted of amounts capitalized in construction in progress and prepaid expenses and deposits.

During the six months ended December 31, 2018, 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 construction in progress of approximately $147,000 related to other planned projects for the previously vacant land were written-off and included in disposals in summary of property, plant and equipment above.

8. Investment in associate

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

	December 31 2018	June 30 2018
	$	$
Investment in associate	**1,273,348**	–
Warrants in associate	**468,429**	–
	1,741,777	–

a) *Investment in associate*

On September 28, 2018, the Company invested $1,750,000 ($1,791,221 including acquisition-related costs) to acquire 5,042,000 Class E common shares and 3,268,870 common share purchase warrants in Burb. Burb is a BC-based retailer of cannabis and cannabis-related products. The shares currently provide the Company with a 19.99% ownership interest in Burb, which is the maximum investment permitted by a Licensed Producer in a retail cannabis business under applicable BC law and regulation.

The 3,268,870 common share purchase warrants received have an exercise price of $0.5354 per warrant expiring on September 28, 2023 ("Burb warrants"). The consideration paid has been allocated between the value of the Class E common shares and the Burb warrants at the date of acquisition (note 8(b)).

Management has determined that the ownership interest in addition to board representation provides the Company with significant influence over Burb. Therefore, the Company has accounted for the investment under the equity method.

The following table summarizes the financial information of Burb at a 100% as at September 28, 2018, prior to the investment made by the Company:

Current assets	$	90,462
Non-current assets		15,000
Current liabilities		(13,251)
Non-current liabilities		(92,674)
Net liabilities		**(463)**

HARVEST ONE

(Expressed in Canadian dollars)

8. Investments (continued)

a) *Investment in associate (continued)*

The following table summarizes the carrying amount of the Company's interest in Burb as at September 30, 2018 and December 31, 2018:

Company's share (%)		19.99%
Share of net liabilities	$	(93)
Acquisition-related costs		41,221
Goodwill		1,278,067
Total carrying amount, September 30, 2018		1,319,195
Share of loss for the three months ended December 31, 2018		(45,847)
Total carrying amount, December 31, 2018		**1,273,348**

b) *Warrants in associate*

As part of the investment in Burb as described in note 8(a), the Company received 3,268,870 Burb warrants at an exercise price of $0.5354 per warrant. The Burb warrants expire on September 28, 2023 and will allow the Company to increase its equity position by a further 11.5%.

The fair value of the Burb warrants was estimated using the Black-Scholes option pricing model with the following weighed average assumptions at September 28, 2018:

Risk-free interest rate	**2.38%**
Expected life of Burb warrants (years)	**5.00**
Expected annualized volatility	**116.21%**
Expected dividend yield	**Nil**

As Burb is a privately held company, volatility was estimated by using the historical volatility of comparable public companies. The expected life in years represents the period of time that the Burb warrants 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 Burb warrants.

The Burb warrants are fair valued at the end of each reporting period with changes in fair value being recognized in net loss in the period. During the three months and six months ended December 31, 2018, an unrealized loss of $3,596 was recognized.

(Expressed in Canadian dollars)

9. Intangible assets

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

	Brand names	In-process R&D	Customer relationships	Website and other	Total
	$	$	$	$	$
Cost					
July 1, 2017	–	–	–	32,055	32,055
Additions	–	–	–	26,285	26,285
Additions from Dream Water acquisition	4,190,000	–	1,540,000	–	5,730,000
June 30, 2018	4,190,000	–	1,540,000	58,340	5,788,340
Accumulated amortization					
July 1, 2017	–	–	–	890	890
Amortization	–	–	19,288	8,975	28,263
June 30, 2018	–	–	19,288	9,865	29,153
Net book value					
June 30, 2018	4,190,000	–	1,520,712	48,475	5,759,187
Cost					
July 1, 2018	4,190,000	–	1,540,000	58,340	5,788,340
Additions	–	–	–	11,695	11,695
Additions from PhytoTech acquisition (note 10)	–	2,170,000	–	–	2,170,000
December 31, 2018	4,190,000	2,170,000	1,540,000	70,035	7,970,035
Accumulated amortization					
July 1, 2018	–	–	19,288	9,865	29,153
Amortization	–	–	110,000	6,044	116,044
December 31, 2018	–	–	129,288	15,909	145,197
Net book value					
December 31, 2018	**4,190,000**	**2,170,000**	**1,410,712**	**54,126**	**7,824,838**

(Expressed in Canadian dollars)

10. Acquisition of PhytoTech

On November 20, 2018, the Company completed the acquisition of all of the outstanding shares of PhytoTech from the Company's majority shareholder MMJ Group Holdings Limited ("MMJ") for a total consideration of $4,580,478. 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. PhytoTech develops cannabinoid-based drug products for a variety of clinical trials to service the medical market and administers clinical trials using Satipharm's proprietary Gelpell capsules. The transaction was accounted for as a business combination in accordance with IFRS 3 – *Business Combinations*.

Consideration transferred:		
Cash paid at closing	$	1,000,000
8,326,695 common shares issued		3,580,478
		4,580,478

The common shares were issued to MMJ and the fair value of the common shares issued was based on the closing share price of the Company's common shares on November 20, 2018.

The preliminary purchase price was allocated below and is subject to change as it is not finalized.

Net assets acquired	$	24,198
In process R&D		2,170,000
Goodwill		2,386,280
		4,580,478

Goodwill arose from the acquisition as the consideration paid reflects: (1) synergies with Satipharm whom has licensed the Gelpell capsule technology to PhytoTech for use in clinical trials; (2) future product development of PhytoTech and CBD-related drugs and therapeutics products; and (3) the benefit of expected revenue growth from both areas. 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 deducible for tax purposes.

The fair values of the net assets acquired are as follows:

Cash	$	27,630
Accounts receivable		2,362
Assets acquired		29,992
Accounts payable and accrued liabilities		(5,794)
Net assets acquired		**24,198**

Net cash outflow on acquisition is as follows:

Cash consideration	$	1,000,000
Less: cash acquired		(27,630)
		972,370

In connection with the acquisition, the Company expensed $76,641 of acquisition-related costs under professional and consulting services for the three and six months ended December 31, 2018. In addition, PhytoTech contributed a net loss of $9,107 for the three and six months ended December 31, 2018.

(Expressed in Canadian dollars)

11. Goodwill

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

	December 31 2018	June 30 2018
	$	$
Dream Water acquisition	**27,717,651**	27,557,000
PhytoTech acquisition (note 10)	**2,386,280**	–
	30,103,931	27,557,000

During the three and six months ended December 31, 2018, the Company continued to integrate the Dream Water operations and, in the process, identified approximately 400,000 sleep powder packets in inventory which did not meet the quality standards for retail sale and therefore, were destroyed. The products identified were in this condition pre-dating the acquisition date. As a result, the preliminary purchase price allocation was adjusted by $160,651 to reflect the one-time write-down of sleep powder inventory to its net realizable value which increased the goodwill that arose from the Dream Water acquisition.

12. Other reserves

a) *Stock options and performance appreciation rights*

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. The maximum number of shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company. Vesting is determined by the Board of Directors. The continuity of the Company's stock options at June 30, 2018 and December 31, 2018 is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at July 1, 2017	8,050,000	0.75
Granted	2,275,000	1.01
Exercised	(220,000)	0.75
Forfeited	(1,080,000)	0.75
Outstanding at June 30, 2018	9,025,000	0.82
Granted	9,550,000	0.78
Expired	(1,983,333)	0.75
Forfeited	(1,316,667)	0.97
Outstanding at December 31, 2018	**15,275,000**	**0.79**

The following table discloses the number of options outstanding and exercisable at December 31, 2018:

Number of options outstanding	Exercise price	Number of options exercisable	Expiry date
#	$	#	
1,500,000	0.75	1,500,000	July 6, 2019
3,100,000	0.75	2,160,833	April 27, 2022
200,000	1.77	–	January 25, 2023
925,000	0.84	–	May 28, 2023
8,000,000	0.77	1,200,000	July 3, 2023
1,250,000	0.91	–	September 18, 2023
300,000	0.54	–	October 30, 2023
15,275,000		**4,860,833**	

(Expressed in Canadian dollars)

12. Other reserves (continued)

a) *Stock options and performance appreciation rights (continued)*

On July 3, 2018, 2,500,000 performance appreciation rights ("PAR") were granted to certain Executives of the Company. Each PAR entitles the holder to purchase one common share at an exercise price of $0.77 for a period of five years following the grant date, of which 375,000 PARs vested immediately and the remaining PARs vest evenly over three years. The Company may, in its sole discretion, replace all or part of the outstanding PARs granted with stock options on a one for one exchange basis.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options and PARs granted during the three and six months ended December 31, 2018 by applying the following assumptions:

	December 31 2018
Risk-free interest rate	**2.07% – 2.29%**
Expected life of options and PARs (years)	**3.59**
Expected annualized volatility	**86.47% – 87.04%**
Expected dividend yield	**Nil**

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

The Company intends to settle the PARs through equity instruments and therefore, used the Black-Scholes option pricing model to establish the fair value of the PARs to determine the amount of share-based compensation during the three and six months ended December 31, 2018.

b) *Warrants*

The Company's outstanding warrants at December 31, 2018 is as follows:

	Issued	Exercised	Outstanding	Exercise price	Expiry date
	#	#	#	$	
Reverse Take-Over ("RTO") Warrants	16,667,000	13,440,532	3,226,468	1.00	April 27, 2020
Brokers' RTO warrants	2,000,040	1,200,004	800,036	0.75	April 27, 2020
Brokers' Secondary Warrants	600,002	100,002	500,000	1.00	January 4, 2021
Debenture Warrants	9,493,882	3,592,600	5,901,282	1.09	December 14, 2020
Units Offering Warrants	22,115,385	–	22,115,385	2.30	January 31, 2020
Brokers' Units Offering Warrants	663,461	–	663,461	2.30	January 31, 2020
Dream Water Warrants	517,000	–	517,000	1.00	May 29, 2021
	52,056,770	**18,333,138**	**33,723,632**		

During the three and six months ended December 31, 2018, 150,000 RTO warrants were exercised at $1.00 per warrant for proceeds of $150,000 and exchanged for 150,000 common shares.

During the three and six months ended December 31, 2017, 663,166 RTO warrants were exercised at $1.00 per warrant for proceeds of $663,166 and exchanged for 663,166 common shares.

c) *Other*

During the three and six months ended December 31, 2017, the Company recorded $26,361 and $95,024 in share-based compensation expense as a result of vesting of stock options from MMJ, issued to employees of Harvest One, United Greeneries and Satipharm in previous years, whereby the Company incurred the expense as it was the primary recipient of the services provided.

(Expressed in Canadian dollars)

13. Convertible debenture units

During the three and six months ended December 31, 2017, the Company recorded $625,390 of deferred financing fee amortization and $67,205 of accretion expense which are both included in net finance costs. In addition, the Company paid interest of $15,381 and issued 10,083,330 common shares on partial conversion of $8,470,000 convertible debentures.

14. Related parties

In addition to the related party transaction described in note 10, the Company had the following related party transactions:

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:

	For the three months ended December 31		**For the six months ended December 31**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries and benefits	**348,750**	163,292	**818,149**	353,100
Severance costs	**76,785**	–	**863,754**	–
Consulting fees	**–**	69,562	**–**	139,124
Directors' fees	**34,207**	36,000	**58,207**	72,000
Share-based compensation	**650,768**	501,856	**2,137,622**	1,003,712
Total	**1,110,510**	770,710	**3,877,732**	1,567,936

b) *Payments to related parties*

As at December 31, 2018, there was $34,207 directors' fees owing (June 30, 2018 – $27,000) included in accounts payable and accrued liabilities.

During the three and six months ended December 31, 2018, the Company paid $9,311 and $22,025 (December 31, 2017 – $10,557 and $24,535) in legal fees to a law firm owned by a director of the Company.

During the three and six months ended December 31, 2017, the Company paid consulting fees of $6,555 to an individual related to a director of the Company.

c) *Severance payment*

The Company paid $750,000 to the former Chief Executive Officer of the Company in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs for the six months ended December 31, 2018.

d) *Payments to MMJ*

During the three and six months ended December 31, 2018, the Company acquired all of the outstanding shares of PhytoTech from MMJ for a total consideration of $4,580,478, which was measured at the exchange value being the amounts agreed to by the parties.

Prior to the RTO, the operational and funding requirements of the Company were supported by MMJ. During the three and six months ended December 31, 2017, the Company repaid $28,952 and $34,844, respectively, of the amount outstanding to MMJ.

(Expressed in Canadian dollars)

15. Commitments

As at December 31, 2018, the Company's commitments that have not been disclosed elsewhere in the condensed consolidated interim financial statements is as follows:

	Less than 1 year	Between 2 to 5 years	Over 5 years	Total
	$	$	$	$
Operating lease commitments	315,090	1,534,815	613,918	2,463,823
Purchase commitments	706,452	2,359,093	–	3,065,545
Extraction services commitments	528,000	829,714	–	1,357,714
Capital commitments	936,545	–	–	936,545
	2,486,087	**4,723,622**	**613,918**	**7,823,627**

a) Operating lease commitments

On August 29, 2018, the Company entered into a six-year lease agreement for office space in Vancouver, BC. Commencing on October 1, 2019, the Company will pay monthly rent at a rate of $23,333. The current office lease agreement was amended and will expire on April 29, 2019.

The Company entered into two lease agreements for the Company's Dream Water operations on July 10, 2018 and September 12, 2018, respectively: (1) a five-year lease agreement in Toronto, Ontario with monthly rent at a rate of $4,180 commencing on July 9, 2018; and (2) a three-year lease agreement in Miami, Florida with monthly rent at a rate of US$3,500 ($4,775) commencing on October 1, 2018.

b) Purchase commitments

On May 31, 2017, the Company entered into a five-year agreement with Gelpell AG for the exclusive marketing, distribution and sale of the Gelpell capsules worldwide. As part of this agreement, the Company has annual minimum purchase commitments.

c) Extraction services commitments

On November 11, 2018, the Company entered into a multi-year Extraction Services Agreement with Valens GroWorks Corp ("Valens") for cannabis extraction and value-added services. As part of this agreement, the Company will ship to or purchase from Valens bulk quantities of dried cannabis over an initial three-year term. Valens will process the cannabis on a fee-for-service basis into bulk resin or other cannabis oil derivative products.

d) Capital commitments

On October 17, 2018, the Company entered into an agreement to purchase four custom designed modular buildings to be placed on the land adjacent to the Duncan facility. The modular buildings are expected to be completed during the 2019 calendar year and are expected to increase the annual production capacity of harvested cannabis.

(Expressed in Canadian dollars)

16. Segmented information

The Company operates in three reportable segments: Cultivation (United Greeneries), Medical and Nutraceutical (Satipharm and PhytoTech), and Consumer (Dream Water), which is the way the Company reports information regarding segment performance, including net profit (loss), to its chief operating decision maker as of December 31, 2018.

The Cultivation segment includes the cultivation and distribution of cannabis in the medical and adult-use markets under the federally regulated *Cannabis Act* with a license issued by Health Canada. The Medical and Nutraceutical segment includes the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe and Australia. The Consumer segment includes the marketing, distribution, and product development of liquid sleep shots and sleep powder packets throughout Canada and the US.

The segments for the three months ended December 31, 2018 and 2017 are as follows:

	For the three months ended December 31, 2018					For the three months ended December 31, 2017				
	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	$	$	$	$	$	$	$	$	$
Net revenue	2,039,451	13,872	1,688,459	–	3,741,782	–	4,740	–	–	4,740
Production costs	(793,748)	–	–	–	(793,748)	(616,422)	–	–	–	(616,422)
Inventory expensed to cost of sales	(161,073)	(4,004)	(1,027,825)	–	(1,192,902)	–	(8,325)	–	–	(8,325)
Inventory write-down	–	–	–	–	–	(210,000)	–	–	–	(210,000)
Gross profit (loss) before fair value adjustments	1,084,630	9,868	660,634	–	1,755,132	(826,422)	(3,585)	–	–	(830,007)
Realized fair value amounts included in inventory sold	(1,770,002)	–	–	–	(1,770,002)	–	–	–	–	–
Change in fair value of biological assets	1,142,337	–	–	–	1,142,337	570,595	–	–	–	570,595
Gross profit (loss)	456,965	9,868	660,634	–	1,127,467	(255,827)	(3,585)	–	–	(259,412)
Other operating expenses	(325,259)	(518,282)	(954,048)	(2,557,464)	(4,355,053)	(326,728)	(173,280)	–	(1,810,454)	(2,310,462)
Profit (loss) from operations	131,706	(508,414)	(293,414)	(2,557,464)	(3,227,586)	(582,555)	(176,865)	–	(1,810,454)	(2,569,874)
Net finance costs	(1,214)	(236)	(10,528)	4,232	(7,746)	(2,029)	(363)	–	(751,559)	(753,951)
Non-operating expenses	–	(44,491)	(17,505)	(34,240)	(96,236)	–	(18,522)	–	–	(18,522)
Net profit (loss)	130,492	(553,141)	(321,447)	(2,587,472)	(3,331,568)	(584,584)	(195,750)	–	(2,562,013)	(3,342,347)

(Expressed in Canadian dollars)

16. Segmented information (continued)

The segments for the six months ended December 31, 2018 and 2017 are as follows:

	For the six months ended December 31, 2018					For the six months ended December 31, 2017				
	Cultivation	**Medical and Nutraceutical**	**Consumer**	**Corporate**	**Total**	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	**$**	$	$	$	$	$
Net revenue	**2,647,201**	**13,872**	**2,760,000**	**–**	**5,421,073**	–	179,284	–	–	179,284
Production costs	**(1,441,525)**	**–**	**–**	**–**	**(1,441,525)**	(1,174,945)	–	–	–	(1,174,945)
Inventory expensed to cost of sales	**(194,305)**	**(4,004)**	**(2,154,303)**	**–**	**(2,352,612)**	–	(160,641)	–	–	(160,641)
Inventory write-down	**–**	**–**	**–**	**–**	**–**	(210,000)	–	–	–	(210,000)
Gross profit (loss) before fair value adjustments	**1,011,371**	**9,868**	**605,697**	**–**	**1,626,936**	(1,384,945)	18,643	–	–	(1,366,302)
Realized fair value amounts included in inventory sold	**(2,273,448)**	**–**	**–**	**–**	**(2,273,448)**	–	–	–	–	–
Change in fair value of biological assets	**2,352,076**	**–**	**–**	**–**	**2,352,076**	1,100,722	–	–	–	1,100,722
Gross profit (loss)	**1,089,999**	**9,868**	**605,697**	**–**	**1,705,564**	(284,223)	18,643	–	–	(265,580)
Other operating expenses	**(932,812)**	**(972,235)**	**(2,234,355)**	**(6,611,056)**	**(10,750,458)**	(583,415)	(364,952)	–	(3,167,837)	(4,116,204)
Profit (loss) from operations	**157,187**	**(962,367)**	**(1,628,658)**	**(6,611,056)**	**(9,044,894)**	(867,638)	(346,309)	–	(3,167,837)	(4,381,784)
Net finance costs	**(2,713)**	**(888)**	**(13,922)**	**2,477**	**(15,046)**	(3,555)	(805)	–	(751,532)	(755,892)
Non-operating expenses	**–**	**(9,701)**	**(17,441)**	**(39,960)**	**(67,102)**	–	(92,855)	–	–	(92,855)
Net profit (loss)	**154,474**	**(972,956)**	**(1,660,021)**	**(6,648,539)**	**(9,127,042)**	(871,193)	(439,969)	–	(3,919,369)	(5,230,531)

HARVEST ONE

(Expressed in Canadian dollars)

16. Segmented information (continued)

The Company generates net revenue in four geographical locations:

Net revenue	For the three months ended December 31 2018	For the three months ended December 31 2017	For the six months ended December 31 2018	For the six months ended December 31 2017
	$	$	**$**	$
Canada	**2,079,313**	–	**2,803,476**	–
US	**1,648,597**	–	**2,603,725**	–
Ireland	**13,872**	–	**13,872**	–
Switzerland	**–**	4,740	**–**	179,284
Total	**3,741,782**	4,740	**5,421,073**	179,284

Revenues in each geographical location relate to the sale of the following:

- Canada – harvested cannabis and Dream Water liquid sleep shots
- US – Dream Water liquid sleep shots and sleep powder packets
- Ireland and Switzerland – Gelpell CBD capsules

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

Non-current assets	December 31 2018	June 30 2018
	$	$
Canada	**35,425,855**	27,662,576
US	**16,167,673**	16,193,811
Israel	**2,170,000**	–
Total	**53,763,528**	43,856,387