Harvest One Cannabis Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended March 31, 2019 and 2018
(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	**March 31 2019**	June 30 2018
		$	$
Assets			
Current assets			
Cash		**29,548,388**	56,845,541
Short-term investments		**49,002**	–
Accounts receivable	4	**2,955,257**	989,817
Inventories	5	**6,301,524**	4,743,966
Biological assets	6	**1,014,838**	904,017
Prepaid expenses and deposits	7	**2,001,527**	1,681,369
Promissory note	8	**251,192**	–
		42,121,728	65,164,710
Property, plant and equipment	9	**27,957,238**	10,540,200
Investment in associate	10	**1,675,681**	–
Intangible assets	11	**7,792,889**	5,759,187
Goodwill	13	**31,585,793**	27,557,000
Total assets		**111,133,329**	109,021,097
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**5,340,681**	4,109,365
Finance leases	12	**98,401**	–
		5,439,082	4,109,365
Finance leases	12	**181,332**	–
Total liabilities		**5,620,414**	4,109,365
Equity			
Share capital		**124,812,373**	117,736,375
Other reserves	14	**17,026,546**	13,856,419
Accumulated other comprehensive loss		**(190,105)**	(82,749)
Accumulated deficit		**(40,856,199)**	(26,598,313)
Equity attributable to Harvest One shareholders		**100,792,615**	104,911,732
Non-controlling interest	12(b)	**4,720,300**	–
Total equity		**105,512,915**	104,911,732
Total liabilities and equity		**111,133,329**	109,021,097

Commitments (note 17)
Subsequent events (note 19)

"Frank Holler"
Frank Holler, Director

"Grant Froese"
Grant Froese, Director

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of loss and comprehensive loss
For the three and nine months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	For the three months ended March 31 2019	2018	For the nine months ended March 31 2019	2018
			Restated – See Note 2(d)		*Restated – See Note 2(d)*
		$	$	**$**	$
Revenue	18	**3,188,895**	33,003	**8,852,220**	212,287
Excise taxes	3(a)	**166,390**	–	**408,642**	–
Net revenue		**3,022,505**	33,003	**8,443,578**	212,287
Cost of sales					
Production costs		**659,594**	669,678	**2,101,119**	1,899,591
Inventory expensed to cost of sales		**1,321,399**	32,086	**3,674,011**	192,727
Inventory write-down	5	**–**	–	**–**	210,000
Gross profit (loss) before fair value adjustments		**1,041,512**	(668,761)	**2,668,448**	(2,090,031)
Realized fair value amounts included in inventory sold	5	**1,519,641**	–	**3,793,089**	–
Unrealized change in fair value of biological assets	6	**(685,449)**	(1,813,379)	**(3,037,525)**	(2,914,101)
Gross profit		**207,320**	1,144,618	**1,912,884**	824,070
Expenses					
Acquisition costs		**223,171**	–	**299,812**	–
Brand development and marketing		**745,100**	84,067	**1,679,530**	185,745
Depreciation and amortization		**83,671**	42,736	**269,119**	62,618
General and administration		**3,341,696**	1,654,504	**8,947,386**	4,198,507
Severance and reorganization costs	16	**153,874**	–	**1,346,033**	–
Share-based compensation	14(a)	**760,842**	727,996	**3,170,127**	2,123,666
Terminated projects	9(b)	**–**	–	**346,805**	–
		5,308,354	2,509,303	**16,058,812**	6,570,536
Loss from operations		**(5,101,034)**	(1,364,685)	**(14,145,928)**	(5,746,466)
Other (expense) income					
Net finance costs	15	**(20,896)**	(1,116,039)	**(35,942)**	(1,871,931)
Share of loss from investment in associate	10(a)	**(66,097)**	–	**(111,944)**	–
Unrealized loss on warrants in associate	10(b)	**–**	–	**(3,596)**	–
Foreign exchange gain (loss)		**57,183**	56,115	**39,524**	(36,740)
Net loss		**(5,130,844)**	(2,424,609)	**(14,257,886)**	(7,655,137)
Other comprehensive (loss) income					
Foreign currency translation		**(96,003)**	42,718	**(107,356)**	47,638
Comprehensive loss		**(5,226,847)**	(2,381,891)	**(14,365,242)**	(7,607,499)
Net loss per share – basic and diluted		**(0.03)**	(0.02)	**(0.08)**	(0.07)
Weighted average number of outstanding common shares		**182,215,534**	139,021,262	**177,789,938**	105,949,749

HARVEST ONE

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of changes in equity
For the nine months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	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		–	–	7,603,657	–	–	–	7,603,657
Equity portion of issuance costs on convertible debenture units		–	(383,540)	(491,858)	–	–	–	(875,398)
Convertible debentures converted	15	24,773,056	16,537,133	(3,152,316)	–	–	–	13,384,817
Units offering		22,115,385	40,250,000	–	–	–	–	40,250,000
Equity portion of issuance costs on units offering		663,461	(4,182,115)	1,207,500	–	–	–	(2,974,615)
Warrants exercised	14(b)	18,183,138	20,606,894	(2,400,423)	–	–	–	18,206,471
Share-based compensation	14(a)	–	–	2,123,666	–	–	–	2,123,666
Stock options exercised		40,000	30,000	–	–	–	–	30,000
Foreign currency translation		–	–	–	47,638	–	–	47,638
Net loss		–	–	–	–	(7,655,137)	–	(7,655,137)
Balance, March 31, 2018		154,952,498	106,702,040	8,288,001	(41,381)	(21,685,810)	–	93,262,850
Balance, July 1, 2018		173,621,452	117,736,375	13,856,419	(82,749)	(26,598,313)	–	104,911,732
Common shares issued for acquisitions	12	11,848,295	6,925,998	–	–	–	–	6,925,998
Warrants exercised	14(b)	150,000	150,000	–	–	–	–	150,000
Share-based compensation	14(a)	–	–	3,170,127	–	–	–	3,170,127
Foreign currency translation		–	–	–	(107,356)	–	–	(107,356)
Non-controlling interest	12(b)	–	–	–	–	–	4,720,300	4,720,300
Net loss		–	–	–	–	(14,257,886)	–	(14,257,886)
Balance, March 31, 2019		**185,619,747**	**124,812,373**	**17,026,546**	**(190,105)**	**(40,856,199)**	**4,720,300**	**105,512,915**

HARVEST ONE

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

Harvest One Cannabis Inc.

Condensed consolidated interim statements of cash flows
For the three and nine months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	For the three months ended March 31		For the nine months ended March 31	
		2019	2018	**2019**	2018
			Restated – See Note 2(d)		*Restated – See Note 2(d)*
		$	$	**$**	$
Operating activities					
Net loss		**(5,130,844)**	(2,424,609)	**(14,257,886)**	(7,655,137)
Adjustments to reconcile non-cash items					
Depreciation and amortization	9, 11	**203,724**	278,238	**538,969**	788,263
Inventory write-down		**–**	–	**–**	210,000
Loss on disposal of property, plant and equipment	9	**–**	–	**4,364**	–
Share-based compensation	14(a)	**760,842**	727,996	**3,170,127**	2,123,666
Net finance costs	8, 15	**(1,192)**	1,077,982	**(1,192)**	1,770,577
Terminated projects	9(b)	**–**	–	**332,106**	–
Share of net loss from investment in associate	10(a)	**66,097**	–	**111,944**	–
Unrealized loss on warrants in associate	10(b)	**–**	–	**3,596**	–
Unrealized change in fair value of biological assets	6	**(685,449)**	(1,813,379)	**(3,037,525)**	(2,914,101)
Realized fair value amounts included in inventory sold	5	**1,519,641**	–	**3,793,089**	–
Fair value adjustment included in inventory expensed to cost of sales		**–**	–	**467,533**	–
Changes in non-cash working capital					
Accounts receivable		**11,836**	(92,615)	**(1,846,728)**	(299,224)
Inventories		**(1,563,526)**	(298,178)	**(2,945,794)**	(142,149)
Prepaid expenses and deposits		**(728,731)**	191,324	**(449,856)**	(262,705)
Accounts payable and accrued liabilities		**1,399,271**	413,521	**769,514**	460,684
Net cash used in operating activities		**(4,148,331)**	(1,939,720)	**(13,347,739)**	(5,920,126)
Investing activities					
Purchase of property, plant and equipment	9	**(3,949,332)**	(1,442,298)	**(7,920,912)**	(2,075,025)
Purchase of intangible assets	11	**(26,074)**	–	**(37,769)**	–
Investment in associate	10	**–**	–	**(1,791,221)**	–
Acquisition of businesses, net of cash acquired	12	**(2,997,144)**	–	**(3,969,514)**	–
Promissory note	8	**(250,000)**	(751,315)	**(250,000)**	(751,315)
Net cash used in investing activities		**(7,222,550)**	(2,193,613)	**(13,969,416)**	(2,826,340)
Financing activities					
Common share units issued		**–**	40,250,000	**–**	40,250,000
Issuance costs on common share units		**–**	(2,974,615)	**–**	(2,974,615)
Convertible debenture units issued		**–**	–	**–**	20,125,000
Issuance costs on convertible debenture units		**–**	(457,756)	**–**	(1,782,500)
Warrants exercised	14(b)	**–**	17,543,305	**150,000**	18,206,471
Stock options exercised		**–**	30,000	**–**	30,000
Advances from related party		**–**	152,067	**–**	117,223
Net cash provided by financing activities		**–**	54,543,001	**150,000**	73,971,579
Effect of foreign exchange on cash		**(63,027)**	42,718	**(129,998)**	47,638
(Decrease) increase in cash during the period		**(11,433,908)**	50,452,386	**(27,297,153)**	65,272,751
Cash, beginning of the period		**40,982,296**	29,066,685	**56,845,541**	14,246,320
Cash, end of the period		**29,548,388**	79,519,071	**29,548,388**	79,519,071

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

1. Nature of operations

Harvest One Cannabis Inc. ("Harvest One") is a publicly traded corporation, incorporated in Canada, with its head office located at 504 – 999 Canada Place, Vancouver, BC, V6C 3E1. Harvest One's common shares are listed on the TSX Venture Exchange under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group ("OTCQX") under the symbol "HRVOF".

These condensed consolidated interim financial statements as at and for the three and nine months ended March 31, 2019 and 2018 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") and PhytoTech Therapeutics Ltd. ("PhytoTech"), both under the Company's medical and nutraceutical arm; and Dream Water Global ("Dream Water"), the Company's consumer arm. The Company also has exposure to the retail vertical through its investment in Burb Cannabis Corp. ("Burb"). The Company's Cultivation segment was enhanced with the recent 52% acquisition of Greenbelt Greenhouse Ltd. ("Greenbelt").

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 May 27, 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 and 10(b).

(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
Greenbelt Greenhouse Ltd.	Canada	52%	Consolidation
Burb Cannabis Corp.	Canada	19.99%	Equity

d) *Classification of expenses*

For the three and nine months ended March 31, 2018, $669,678 and $1,899,591 of production costs and $nil and $210,000 of inventory write-downs were disclosed as part of unrealized change in fair value of biological assets on the condensed consolidated interim statement of loss and comprehensive loss. A quantitative analysis of the line items affected is summarized below:

For the three months ended March 31, 2018	As reported	Adjustments	**As restated**
	$	$	**$**
Production costs	–	669,678	**669,678**
Unrealized change in fair value of biological assets	(1,143,701)	(669,678)	**(1,813,379)**

For the nine months ended March 31, 2018	As reported	Adjustments	**As restated**
	$	$	**$**
Production costs	–	1,899,591	**1,899,591**
Inventory write-down	–	210,000	**210,000**
Unrealized change in fair value of biological assets	(804,510)	(2,109,591)	**(2,914,101)**

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 unrealized 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.

2. Significant accounting policies (continued)

d) *Classification of expenses (continued)*

In addition, the Company reclassed $50,746 and $262,712 of expenses from brand development and marketing to general and administration for the three and nine months ended March 31, 2018, to conform with the current period presentation.

e) *Significant accounting policies*

(i) As a result of the acquisition in Greenbelt as described in note 12(b), the Company has amended the following significant accounting policy from that disclosed in the annual audited consolidated financial statements for the year ended June 30, 2018:

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 acquire, over the fair value of the identifiable net asset 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.

(ii) As a result of the investment in associate and warrants in associate as described in note 10, and the acquisition in Greenbelt as described in note 12(b), the Company has included three 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.

2. Significant accounting policies (continued)

e) *Significant accounting policies (continued)*

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.

Finance leases

A lease of property, plant and equipment is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the Company. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Property acquired under a finance lease is depreciated over the shorter of the period of expected use on the same basis as other similar property, plant and equity or the lease term.

A lease of property, plant and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee.

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 satisfies its performance obligation upon delivery to the customer. 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.

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.

(Expressed in Canadian dollars)

3. New accounting standards and interpretations (continued)

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

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.

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
Short-term investments	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Other liabilities
Warrants in associate	Not applicable	FVTPL

(Expressed in Canadian dollars)

3. New accounting standards and interpretations (continued)

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

Impairment of financial assets

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.

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:

	March 31 2019	June 30 2018
	$	$
Trade receivables	**2,292,512**	459,855
Taxes receivable from governments	**662,745**	529,962
	2,955,257	989,817

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

(Expressed in Canadian dollars)

5. Inventories

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

	March 31 2019	June 30 2018
	$	$
Harvested cannabis		
Work-in-process	**3,133,513**	3,083,977
Finished goods	**438,647**	–
	3,572,160	3,083,977
Gelpell® CBD capsules		
Raw materials	**833,102**	139,531
Finished goods	**709,004**	–
	1,542,106	139,531
Liquid sleep shots and sleep powder packets		
Raw materials	**474,035**	259,952
Finished goods	**455,699**	1,006,180
	929,734	1,266,132
Packaging and supplies	**257,524**	254,326
	6,301,524	4,743,966

Harvested cannabis

During the three and nine months ended March 31, 2019, cost of sales on cannabis inventory sold was $2,192,124 and $4,659,877, respectively (2017 - $nil and $nil), of which $1,519,641 and $3,793,089 (2017 - $nil and $nil) related to realized fair value changes and $672,483 and $866,788 (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 nine months ended March 31, 2018, 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 recognized an impairment of $210,000 of harvested cannabis to reduce the carrying amount to its estimated net realizable value. No further inventory 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:

	March 31 2019	June 30 2018
	$	$
Balance, beginning of period	**904,017**	110,489
Unrealized change in fair value of biological assets	**3,037,525**	3,595,541
Transferred to inventory upon harvest	**(2,926,704)**	(2,802,013)
Balance, end of period	**1,014,838**	904,017

As at March 31, 2019, included in the carrying amount of biological assets was $35,914 in seeds and $978,924 in cannabis plants (June 30, 2018 – $20,914 in seeds and $883,103 in cannabis plants).

(Expressed in Canadian dollars)

6. Biological assets (continued)

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 21 grams per plant based on an 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 $7.80 and $10.20 per gram; and
f) selling costs which is 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 adult-use 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.

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 nine months ended March 31, 2019, the Company determined that the fair value less costs to sell was $6.30 per gram (June 30, 2018 - $6.45 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. 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 $141,000 in biological assets at March 31, 2019 (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 March 31, 2019, on average, the biological assets were 63% complete as to the next expected harvest date (June 30, 2018 – 64%).

7. Prepaid expenses and deposits

The summary of the Company's prepaid expenses and deposits is as follows:

	March 31 2019	June 30 2018
	$	$
Prepayments	**1,048,433**	997,254
Deposits	**953,094**	684,115
	2,001,527	1,681,369

On March 3, 2019, the Company entered into a definitive arrangement agreement (the "Agreement") to acquire all the outstanding shares of Delivra Corp. ("Delivra"). Concurrent with the execution of the Agreement, the Company entered into a services agreement with Delivra in the amount of $250,000, which is included in prepayments. Under the terms of the services agreement, Delivra will provide the Company with certain product formulations.

(Expressed in Canadian dollars)

8. Promissory note

Concurrent with the execution of the Agreement as described in note 7, the Company provided Delivra with a loan in the amount of $250,000 bearing interest at 6% per annum and having a term of one year. The balance at March 31, 2019 includes $1,192 of accrued interest.

9. 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 improvement	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	90,486	4,094	–	7,710,680	7,920,912
Additions from Greenbelt acquisition (note 12)	2,930,000	56,000	6,201,000	873,625	–	10,060,625
Disposals	(4,364)	–	–	–	(195,233)	(199,597)
March 31, 2019	5,656,994	505,500	12,483,456	2,268,605	9,324,729	30,249,284
Accumulated depreciation						
July 1, 2018	667,094	104,703	1,145,347	–	–	1,917,144
Depreciation	198,453	76,278	90,171	–	–	364,902
March 31, 2019	865,547	180,981	1,235,518	–	–	2,282,046
Net book value						
March 31, 2019	**4,791,447**	**324,519**	**11,247,938**	**2,268,605**	**9,324,729**	**27,957,238**

a) *Construction in progress*

Additions to construction in progress during the nine months ended March 31, 2019 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 9(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 once available for use.

(Expressed in Canadian dollars)

9. Property, plant and equipment (continued)

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 nine months ended March 31, 2019, approximately $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 nine months ended March 31, 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 construction in progress of approximately $147,000 related to other planned projects for the previously vacant land were written-off.

10. Investment in associate

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

	March 31 2019	June 30 2018
	$	$
Investment in associate	**1,207,252**	–
Warrants in associate	**468,429**	–
	1,675,681	–

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 10(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 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)**

(Expressed in Canadian dollars)

10. Investment in associate (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 March 31, 2019:

Company's share (%)		19.99%
Share of net liabilities	$	(92)
Acquisition-related costs		41,221
Goodwill		1,278,067
Total carrying amount, September 30, 2018		1,319,196
Share of loss for the nine months ended March 31, 2019		(111,944)
Total carrying amount, March 31, 2019		**1,207,252**

b) *Warrants in associate*

As part of the investment in Burb as described in note 10(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 nine months ended March 31, 2019, an unrealized loss of $3,596 was recognized.

(Expressed in Canadian dollars)

11. 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	–	–	–	37,769	37,769
Additions from PhytoTech acquisition (note 12)	–	2,170,000	–	–	2,170,000
March 31, 2019	4,190,000	2,170,000	1,540,000	96,109	7,996,109
Accumulated amortization					
July 1, 2018	–	–	19,288	9,865	29,153
Amortization	–	–	165,000	9,067	174,067
March 31, 2019	–	–	184,288	18,932	203,220
Net book value					
March 31, 2019	**4,190,000**	**2,170,000**	**1,355,712**	**77,177**	**7,792,889**

(Expressed in Canadian dollars)

12. Business Combinations

The summary of the Company's business combinations is as follows:

Acquisitions completed during the nine months ended March 31, 2019	PhytoTech (a)	Greenbelt (b)	Total
	$	$	$
Consideration transferred			
Cash paid	1,000,000	3,250,000	4,250,000
Common shares issued	3,580,478	3,345,520	6,925,998
	4,580,478	**6,595,520**	**11,175,998**
Purchase price allocation			
Net assets acquired	24,198	9,833,958	9,858,156
In process R&D	2,170,000	–	2,170,000
Non-controlling interest	–	(4,720,300)	(4,720,300)
Goodwill	2,386,280	1,481,862	3,868,142
	4,580,478	**6,595,520**	**11,175,998**
Non-controlling interest at acquisition (%)	*0%*	*48%*	
Net assets acquired			
Cash	27,630	252,856	280,486
Short-term investments	–	49,000	49,000
Accounts receivables	2,362	112,380	114,742
Inventories	–	103,809	103,809
Prepaid expenses and deposits	–	6,544	6,544
Property, plant and equipment	–	10,060,625	10,060,625
Assets acquired	29,992	10,585,214	10,615,206
Accounts payable and accrued liabilities	(5,794)	(471,523)	(477,317)
Finance leases	–	(279,733)	(279,733)
	24,198	**9,833,958**	**9,858,156**
Net cash outflows			
Cash consideration	1,000,000	3,250,000	4,250,000
Less: cash acquired	(27,630)	(252,856)	(280,486)
	972,370	**2,997,144**	**3,969,514**
Acquisition costs expensed			
Nine months ended March 31, 2019	81,604	24,350	105,954

a) *PhytoTech Therapeutics Ltd.*

On November 20, 2018, the Company acquired 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 Gelpell® capsules.

The Company acquired 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, which consisted of $1,000,000 cash and 8,326,695 common shares with a fair value of $3,580,478 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 a business combination in accordance with IFRS 3 – *Business Combinations*.

(Expressed in Canadian dollars)

12. Business Combinations (continued)

a) *PhytoTech Therapeutics Ltd. (continued)*

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.

For the three and nine months ended March 31, 2019, PhytoTech contributed a net loss of $26,559 and $35,666.

b) *Greenbelt Greenhouse Ltd.*

On March 29, 2019, the Company acquired a 52% ownership interest in Greenbelt, a private Canadian company located in Hamilton, Ontario. The Company acquired 52% of Greenbelt's issued and outstanding shares for an aggregate consideration of $6,595,520, consisting of $3,250,000 cash and 3,521,600 common shares, with a fair value of $3,345,520 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 deducible for tax purposes.

Non-controlling interest has been recognized at the non-controlling interest proportionate share of the acquiree's net assets. The following is a continuity of Greenbelt's non-controlling interest:

Balance, June 30, 2018	$	–
Non-controlling interest arising on acquisition of Greenbelt		4,720,300
Share of loss for the nine months ended March 31, 2019		–
Balance, March 31, 2019		**4,720,300**

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 $3,500,000 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

13. Goodwill

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

	March 31 2019	June 30 2018
	$	$
Dream Water acquisition	**27,717,651**	27,557,000
PhytoTech acquisition (note 12(a))	**2,386,280**	–
Greenbelt acquisition (note 12(b))	**1,481,862**	–
	31,585,793	27,557,000

(Expressed in Canadian dollars)

13. Goodwill (continued)

During the nine months ended March 31, 2019, 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.

14. 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 March 31, 2019 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	(2,010,000)	0.76
Forfeited	(1,590,000)	0.97
Outstanding at March 31, 2019	**14,975,000**	**0.79**

The following table discloses the number of options outstanding and exercisable at March 31, 2019:

Number of stock options outstanding	Exercise price	Number of stock options exercisable	Expiry date
#	$	#	
1,500,000	0.75	1,500,000	July 6, 2019
400,000	0.75	200,000	December 31, 2019
2,650,000	0.75	1,575,833	April 27, 2022
150,000	1.77	50,000	January 25, 2023
925,000	0.84	–	May 28, 2023
8,000,000	0.77	1,200,000	July 3, 2023
1,050,000	0.91	–	September 18, 2023
300,000	0.54	–	October 30, 2023
14,975,000		**4,525,833**	

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 stock options and PARs granted during the nine months ended March 31, 2019 by applying the following assumptions:

(Expressed in Canadian dollars)

14. Other reserves (continued)

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

	March 31 2019
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 common shares. The expected life in years represents the period of time that the stock 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 stock option and PAR.

The Company intends to settle the PARs through equity instruments and 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 nine months ended March 31, 2019.

b) *Warrants*

The Company's outstanding warrants at March 31, 2019 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 nine months ended March 31, 2019, 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 nine months ended March 31, 2018, 18,183,138 warrants were exercised at an average price of $1.00 per warrant for proceeds of $18,206,471 and exchanged for 18,183,138 common shares.

c) *Other*

During the three and nine months ended March 31, 2018, the Company recorded $26,360 and $121,384 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.

15. Convertible debenture units

During the three and nine months ended March 31, 2018, the Company recorded $885,712 and $1,511,102 of deferred financing fee amortization and $111,889 and $179,094 of accretion expense which are both included in net finance costs. In addition, the Company paid interest of $72,041 and $87,422 and issued 14,689,726 and 24,773,056 common shares on conversion of $12,259,000 and $20,729,000 convertible debentures, including $80,381 in interest.

(Expressed in Canadian dollars)

16. Related parties

In addition to the related party transaction described in note 12(a), 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 March 31		**For the nine months ended March 31**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Salaries and benefits	**348,750**	273,673	**1,166,899**	626,773
Severance costs	**120,000**	–	**947,050**	–
Consulting fees	**–**	69,562	**–**	208,688
Directors' fees	**33,000**	36,000	**91,207**	108,000
Share-based compensation	**650,770**	458,293	**2,788,392**	1,462,005
Total	**1,152,520**	837,528	**4,993,548**	2,405,466

b) *Payments to related parties*

As at March 31, 2019, there was $33,000 directors' fees owing (June 30, 2018 – $27,000) included in accounts payable and accrued liabilities.

During the three and nine months ended March 31, 2019, the Company paid $nil and $22,025 (March 31, 2018 – $9,751 and $34,285) in legal fees to a law firm owned by a director of the Company.

c) *Severance payments*

The Company paid $750,000 to the former Chief Executive Officer and $120,000 to the former Chief Financial Officer of the Company in accordance with the terms of their mutual separation agreements, which is included in severance and reorganization costs for the nine months ended March 31, 2019.

d) *Payments to MMJ*

During the nine months ended March 31, 2019, 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.

(Expressed in Canadian dollars)

17. Commitments

As at March 31, 2019, 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	305,858	1,369,578	532,569	2,208,005
Finance lease commitments	112,471	184,238	–	296,709
Purchase commitments	–	2,285,690	–	2,285,690
Extraction services commitments	452,571	716,571	–	1,169,142
Capital commitments	2,000,750	–	–	2,000,750
	2,871,650	**4,556,077**	**532,569**	**7,960,296**

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. Subsequent to March 31, 2019, the August 29, 2018 lease was terminated and the Company entered into a new five-year lease agreement for office space in Vancouver, BC. Commencing on May 1, 2019, the Company will pay monthly rent at a rate of $20,967.

The Company entered into two lease agreements for the Company's Dream Water operations on September 12, 2018 and February 22, 2019, respectively: (1) 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 and (2) a two-year lease agreement in Toronto, Ontario with a monthly rent at a rate of $2,800 commencing on April 1, 2019.

b) *Finance lease commitments*

On March 29, 2019, the Company acquired a 52% ownership interest in Greenbelt. In connection with this acquisition, the Company assumed two existing finance equipment leases with remaining terms of approximately 2.5 years.

c) *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.

d) *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.

e) *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. In addition, capital commitments include amounts committed for the construction of the Lucky Lake facility.

(Expressed in Canadian dollars)

18. 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 March 31, 2019.

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 March 31, 2019 and 2018 are as follows:

	For the three months ended March 31, 2019					For the three months ended March 31, 2018				
	Cultivation	**Medical and Nutraceutical**	**Consumer**	**Corporate**	**Total**	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	**$**	$	$	$	$	$
Net revenue	**1,928,574**	**11,262**	**1,082,669**	**–**	**3,022,505**	951	32,052	–	–	33,003
Gross profit (loss) before fair value adjustments	**596,498**	**(38,034)**	**483,048**	**–**	**1,041,512**	(668,727)	(34)	–	–	(668,761)
Gross profit (loss)	**(237,694)**	**(38,034)**	**483,048**	**–**	**207,320**	1,144,652	(34)	–	–	1,144,618
Expenses	**411,283**	**926,881**	**995,028**	**2,975,162**	**5,308,354**	366,599	166,689	–	1,976,015	2,509,303
Net profit (loss)	**(650,692)**	**(908,389)**	**(519,546)**	**(3,052,217)**	**(5,130,844)**	774,620	(112,715)	–	(3,086,514)	(2,424,609)

The segments for the nine months ended March 31, 2019 and 2018 are as follows:

	For the nine months ended March 31, 2019					For the nine months ended March 31, 2018				
	Cultivation	**Medical and Nutraceutical**	**Consumer**	**Corporate**	**Total**	Cultivation	Medical and Nutraceutical	Consumer	Corporate	Total
	$	**$**	**$**	**$**	**$**	$	$	$	$	$
Net revenue	**4,575,775**	**25,134**	**3,842,669**	**–**	**8,443,578**	951	211,336	–	–	212,287
Gross profit (loss) before fair value adjustments	**1,607,869**	**(28,166)**	**1,088,745**	**–**	**2,668,448**	(2,108,640)	18,609	–	–	(2,090,031)
Gross profit (loss)	**852,305**	**(28,166)**	**1,088,745**	**–**	**1,912,884**	805,461	18,609	–	–	824,070
Expenses	**1,344,095**	**1,899,116**	**3,229,383**	**9,586,218**	**16,058,812**	895,043	531,641	–	5,143,852	6,570,536
Net loss	**(496,218)**	**(1,881,345)**	**(2,179,567)**	**(9,700,756)**	**(14,257,886)**	(96,570)	(552,684)	–	(7,005,883)	(7,655,137)

(Expressed in Canadian dollars)

18. Segmented information (continued)

The Company generates net revenue from three geographical locations:

	For the three months ended March 31		For the nine months ended March 31	
Net revenue	**2019**	2018	**2019**	2018
	$	$	**$**	$
Canada	**2,053,724**	951	**4,857,200**	951
US	**957,519**	–	**3,561,244**	–
Europe	**11,262**	32,052	**25,134**	211,336
Total	**3,022,505**	33,003	**8,443,578**	212,287

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
- Europe – Gelpell® CBD capsules

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

Non-current assets	**March 31 2019**	June 30 2018
	$	$
Canada	**50,728,930**	27,662,576
US	**16,112,671**	16,193,811
Israel	**2,170,000**	–
Total	**69,011,601**	43,856,387

19. Subsequent events

Stock option issuances

On April 22, 2019, the Company granted 2,415,000 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 of $0.85 for a period of five years following the grant date of which 175,000 stock options vested immediately and the remaining stock options vest evenly over three years.