CANOPY RIVERS CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018 AND FOR THE 65-DAY PERIOD ENDED JUNE 30, 2017

(IN CANADIAN DOLLARS)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim financial statements of Canopy Rivers Corporation.

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in CDN $000's)	Notes	As at June 30, 2018	As at March 31, 2018
Assets			
Current assets			
Cash		$ 20,136	$ 46,299
Interest receivable	6	718	300
Other receivables		239	220
Prepaid expenses and other assets		414	-
		21,507	**46,819**
Finance lease receivable	4	2,648	2,633
Investments in associates and joint venture	5	37,427	4,754
Financial assets at fair value through profit or loss	6	57,325	52,098
Financial assets at fair value through other comprehensive income	7	113,707	102,835
		$ 232,614	**$ 209,139**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,447	$ 4,705
Other current liabilities	6e	-	704
		1,447	**5,409**
Derivative warrant liability	5c	29,232	-
Deferred tax liability	10	11,162	11,500
		40,394	**11,500**
		41,841	**16,909**
Shareholders' equity			
Share capital	8	87,784	80,959
Share-based payment reserve		14,500	6,262
Contributed surplus		30,045	30,045
Retained earnings		58,444	74,964
		190,773	**192,230**
		$ 232,614	**$ 209,139**

CANOPY RIVERS CORPORATION

CONDENSED INTERIM STATEMENT OF LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in CDN $000's, except for per share amounts)	Notes	3-months ended June 30, 2018	65-days ended June 30, 2017
Operating loss			
Interest income on financial assets at fair value through profit or loss	6	$ 303	$ -
Income on finance lease receivable	4	159	-
Share of loss from equity method investees	5	(59)	-
Net changes in fair value of off-market commitment	6e	56	-
Net changes in fair value of financial assets at fair value through profit or loss	6	(8,182)	-
Total operating loss		**(7,723)**	**-**
Operating expenses			
Consulting and professional fees		408	116
General and administrative expenses		185	15
Share-based compensation	8, 9	14,275	443
Total operating expenses		**14,868**	**574**
Net operating loss		**(22,591)**	**(574)**
Finance costs			
Interest expense		-	58
Loss after finance costs and before taxes		**(22,591)**	**(632)**
Income tax expense (recovery)	10	(1,097)	(48)
Net loss		**(21,494)**	**(584)**
Other comprehensive income not subsequently reclassified to net income			
Net change in fair value of financial assets at fair value through other comprehensive income (net of tax of $760)	7	4,974	-
Total comprehensive loss		**$ (16,520)**	**$ (584)**
Loss per share - basic	14	**$ (0.16)**	**$ (0.02)**
Loss per share - diluted	14	**$ (0.16)**	**$ (0.02)**

CANOPY RIVERS CORPORATION

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(Expressed in CDN $000's)	Notes	3-months ended June 30, 2018	65-days ended June 30, 2017
Cash flows provided by/(used in) operating activities			
Net loss		$ (21,494)	$ (584)
Adjustments for:			
Income on finance lease receivable		(159)	-
Net changes in fair value of off-market commitment		(56)	-
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		8,182	-
Interest expense		-	58
Share-based compensation		14,275	443
Income tax expense (recovery)		(1,097)	(48)
Share of loss from equity method investees		59	-
Increase in interest receivable		(418)	-
Increase in other receivables		(19)	-
Increase in prepaid expenses		(414)	-
Increase in accounts payable and accrued liabilities		267	765
Net cash provided by / (used in) operating activities		**$ (874)**	**$ 634**
Cash flows from investing activities			
Purchase of investments in associates and joint venture	5, 16	$ (3,665)	$ -
Purchase of financial assets at fair value through profit or loss	6, 16	(17,584)	-
Purchase of financial assets at fair value through other comprehensive income	7	(5,138)	-
Distributions from equity method investees	5	165	-
Payments from finance lease receivable		145	-
Purchase of investment property		-	(50)
Net cash used in investing activities		**$ (26,077)**	**$ (50)**
Cash flows from financing activities			
Proceeds from issuance of convertible debenture		$ -	$ 20,000
Proceeds from issuance of Class B shares	8	500	36,680
Proceeds from exercise of stock options	8	288	-
Share issuance costs		-	(1,567)
Net cash provided by financing activities		**$ 788**	**$ 55,113**
Net increase (decrease) in cash and cash equivalents		$ (26,163)	$ 55,697
Cash, beginning of fiscal period		46,299	-
Cash, end of fiscal period		**$ 20,136**	**$ 55,697**

CANOPY RIVERS CORPORATION

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in CDN $000's, except for share amounts)	Number of Class A shares	Number of Class B shares	Share capital	Share-based payment reserve	Contributed surplus	Retained earnings	Shareholders' equity
Balance at April 26, 2017	-	-	$ -	$ -	$ -	$ -	$ -
Issuance of Class A shares to Canopy Growth Corp.	1	-	-	-	-	-	-
Equity financing – May 12, 2017 – net of share issue costs of $nil	-	9,000,000	450	-	-	-	450
Equity financing – June 16, 2017 – net of share issue costs of $1,643	-	61,497,970	35,256	-	-	-	35,256
Issuance of Class A shares ($20,000 convertible debenture exercise, incl. interest of $58)	36,468,317	-	20,058	-	-	-	20,058
Share-based compensation (Class B shares - seed capital)	-	-	-	443	-	-	443
Other comprehensive income	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	(584)	(584)
Balance at June 30, 2017	**36,468,318**	**70,497,970**	**$ 55,764**	**$ 443**	**$ -**	**$ (584)**	**$ 55,623**
Balance at March 31, 2018	36,468,318	94,134,333	$ 80,959	$ 6,262	$ 30,045	$ 74,964	$ 192,230
Equity financing – April 6, 2018 – net of share issue costs of $nil	-	454,545	500	-	-	-	500
Repayment of share purchase loans – May 8, 2018	-	-	288	-	-	-	288
Issuance of Class B shares pursuant to repayment of share purchase loans	-	5,750,000	6,037	(6,037)	-	-	-
Share-based compensation (Class B shares – seed capital)	-	-	-	9,599	-	-	9,599
Share-based compensation (Class B shares)	-	-	-	4,676	-	-	4,676
Other comprehensive income	-	-	-	-	-	4,974	4,974
Net loss	-	-	-	-	-	(21,494)	(21,494)
Balance at June 30, 2018	**36,468,318**	**100,338,878**	**$ 87,784**	**$ 14,500**	**$ 30,045**	**$ 58,444**	**$ 190,773**

1. DESCRIPTION OF BUSINESS

Canopy Rivers Corporation (the "Company" or "Canopy Rivers") is a limited company incorporated in Canada on April 26, 2017, with its head office located at 1 Hershey Drive, Smith Falls, Ontario, K7A 0A8. The Company is controlled by Canopy Growth Corporation ("CGC"), a publicly-traded corporation listed on the TSX under the trading symbol "WEED" and on the NYSE under the trading symbol "CGC".

The Company is a growth capital and strategic support platform that pursues investment opportunities in the global cannabis sector. The Company works collaboratively with CGC to identify strategic counterparties seeking financial and/or operating support, and seeks to provide investor returns through dividends, interest, rent, royalties, and capital appreciation.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements for the three months ended June 30, 2018 of the Company were prepared in accordance with *International Accounting Standard ("IAS") 34, Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as were followed in the preparation of the annual financial statements for the 340-day period ended March 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed interim financial statements for the three months ended June 30, 2018 should be read together with the annual financial statements for the 340-day period ended March 31, 2018.

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual financial statements for the 340-day period ended March 31, 2018.

These interim condensed financial statements were authorized for issue by the Board of the Directors on September 14, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Application of new and revised IFRS accounting standards

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

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including *IAS 18 Revenue*. The Company has applied the standard retrospectively to prior periods, subject to permitted and elected practical expedients.

IFRS 15 introduces a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The application of IFRS 15 has no impact on the financial position and financial performance of the Company as the Company's revenue streams are not within scope of this standard.

(Expressed in CDN $000's except share amounts)

(b) New and revised IFRS in issue but not yet effective

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 eliminates the classification as an operating lease for lessees and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, the new accounting standard (i) sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; (ii) changes the accounting for sale and leaseback arrangements; (iii) largely retains the approach under *IAS 17 Leases* to lessor accounting; and (iv) introduces new disclosure requirements. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is in the process of assessing the impact of this new standard on its financial statements.

4. FINANCE LEASE RECEIVABLE

On August 16, 2017, the Company acquired a building located in New Brunswick, Canada. The building was leased to Spot Therapeutics Inc. ("Spot"), a late-stage applicant under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and wholly-owned subsidiary of CGC, under a financing lease agreement for a period of 20 years commencing on October 6, 2017 for an aggregate total of minimum payments due of $14,773.

	As at June 30, 2018	As at March 31, 2018
Current finance lease receivables	$ -	$ -
Non-current finance lease receivables	2,648	2,633
Total	**$ 2,648**	**$ 2,633**

Scheduled collections of minimum monthly lease payments based on the contractual terms as at June 30, 2018 are presented in the following schedule:

	As at June 30, 2018	
	Minimum Lease Payments	**Principal Reduction**
No later than one year	$ 563	$ (65)
Later than one year and not later than 5 years	2,338	(385)
Later than 5 years	11,459	3,098
	$ 14.360	$ 2,648
Less: Unearned finance income	(11,712)	-
Present value of minimum lease payments	$ 2,648	$ 2,648
Allowance for uncollectible lease payments	-	-
	$ 2,648	**$ 2,648**

	As at March 31, 2018	
	Minimum Lease Payments	**Principal Reduction**
No later than one year	$ 563	$ (61)
Later than one year and not later than 5 years	2,309	(392)
Later than 5 years	11,628	3,086
	$ 14,500	$ 2,633
Less: Unearned finance income	(11,867)	-
Present value of minimum lease payments	$ 2,633	$ 2,633
Allowance for uncollectible lease payments	-	-
	$ 2,633	**$ 2,633**

(Expressed in CDN $000's except share amounts)

The unguaranteed residual value of the building under lease is estimated to be $2,609 (March 31, 2018 – $2,609).

The interest rate inherent in the lease is fixed at the contract date for the entire lease term at a rate of approximately 23.4%.

Finance income of $159 (inclusive of management fee income) was recognized for the three months ended June 30, 2018 (65 days ended June 30, 2017 – $nil). The finance lease receivables as at June 30, 2018, and March 31, 2018, are neither past due nor impaired.

5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

Details of each of the Company's material associates and joint venture at the end of the reporting period are as follows:

Name of Associate or Joint Venture	Note	Principal Activity	Place of Incorporation and Principal Business	Proportion of Ownership Interest / Voting Rights Held
Radicle	5(a)	Vertically-integrated cannabis operations	Canada	20% (i)
Civilized	5(b)	Media company and lifestyle brand	Canada	20% (ii)
PharmHouse	5(c)	ACMPR applicant	Canada	49%

(i) The Company has provided debt financing in the form of a debenture that is convertible into approximately 24% of the equity of Radicle on a fully-diluted basis. Additionally, the Company has the right to designate 20% of the director nominees.

(ii) The Company has provided debt financing in the form of a debenture that is convertible into approximately 18% of the equity of Civilized. Additionally, the Company has the right to designate 20% of the director nominees.

Entity	Balance at March 31, 2018	Additions	Share of Net Income/(Loss)	Dividend / Interest Income	Balance at June 30, 2018
Radicle	$ 4,754	$ -	$ (59)	$ (61)	$ 4,634
Civilized	-	3,665	-	(104)	3,561
PharmHouse	-	29,232	-	-	29,232
Total	**$ 4,754**	**$ 32,897**	**$ (59)**	**$ (165)**	**$ 37,427**

Entity	Balance at April 26, 2017	Additions	Share of Net Income/(Loss)	Dividend / Interest Income	Balance at March 31, 2018
Radicle	$ -	$ 5,000	$ (121)	$ (125)	$ 4,754
Total	**$ -**	**$ 5,000**	**$ (121)**	**$ (125)**	**$ 4,754**

Summarized financial information is set out below. This summarized financial information represents amounts shown in the associates' and joint venture's financial statements prepared in accordance with IFRS (adjusted by the Company for accounting purposes). In accordance with *IAS 28 Investments in Associates and Joint Ventures*, the Company has elected to account for its investments in associates and joint venture one quarter in arrears. The figures summarized in the tables below are based upon values as at March 31, 2018 for the period ended June 30, 2018, and as at December 31, 2017 for the period ended March 31, 2018, but account for any significant transactions that have occurred since the reporting period end.

(Expressed in CDN $000's except share amounts)

For the period ended June 30, 2018						
Entity	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Revenue**	**Income / (Loss)**
Radicle	$ 1,345	$ 6,046	$ (460)	$ 7,613	$ -	$ (247)

For the period ended March 31, 2018						
Entity	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Income / (Loss)**
Radicle	$ 2,576	$ 4,376	$ 94	$ 7,167	$ -	$ (506)

The Company assessed its investments in associates and joint venture for indicators of impairment at June 30, 2018 and March 31, 2018 and determined that no such indicators were present.

INVESTMENTS HELD IN PRIOR PERIODS

a) Radicle

Radicle Medical Marijuana Inc. ("Radicle") is a licensed producer (cultivation license) under the ACMPR. As at June 30, 2018, the Company has $124 interest receivable relating to the Company's convertible debenture investment in Radicle (March 31, 2018 – $63). Please refer to Note 6(c) for additional details.

NEW INVESTMENTS

b) Civilized

Civilized Worldwide Inc. ("Civilized") is a modern media company and lifestyle brand focused on elevating cannabis culture. On April 17, 2018, the Company entered into funding arrangements with Civilized whereby the Company committed to advance $5,000 pursuant to a convertible debenture agreement with Civilized. Per the terms of the convertible debenture agreement, interest is earned at 14% per annum, calculated and compounded quarterly, provided that interest shall not be payable until the one-year anniversary of the closing date of the investment. The convertible debenture matures on the 24-month anniversary of the closing date of the investment and is convertible in advance of maturity at the option of the Company into 397,227 Class A common shares of Civilized (the "Civilized Shares"), which represents approximately 18% of the fully diluted common shares of Civilized. The debenture shall automatically convert into Civilized Shares in certain limited circumstances, provided that, among other things, the Civilized Shares are listed on a recognized stock exchange. The convertible debenture is also secured by the assets of Civilized.

As at June 30, 2018, the Company has $104 interest receivable relating to the Company's convertible debenture investment in Civilized (March 31, 2018 – $nil). Please refer to Note 6(f) for additional details.

c) PharmHouse

On May 7, 2018, the Company and 2615975 Ontario Limited (the "Joint Venture Partner") entered into an agreement to form a new company, 10730076 Canada Inc. ("'PharmHouse") with the intent of PharmHouse becoming a licensed producer of cannabis in Ontario. In exchange for a nominal amount of cash upfront, a commitment to provide $9,800 in financing, and the issuance of 14,400,000 warrants of the Company to the Joint Venture Partner, the Company received a 49% interest in PharmHouse and a global non-competition agreement from the Joint Venture Partner (with carve-outs for the United States). The warrants are exercisable for a period of two years following the date that PharmHouse receives a license to sell cannabis at an exercise price at the lower of $2.00 per share and the price per subscription receipt issued by the Company in connection with the Company's financing to be completed in connection with its initial public listing.

The Company has joint control over PharmHouse, which has been determined to be a joint venture, and therefore, will be accounted for using the equity method.

The warrants have been recorded as a derivative liability as at June 30, 2018 as the exercise price of the warrants is not fixed at June 30, 2018. The fair value of the derivative liability upon initial recognition and as at

(Expressed in CDN $000's except share amounts)

June 30, 2018 of $29,232 was estimated using a Black-Scholes option pricing model by applying the following assumptions:

Warrant Valuation	**Initial Recognition**	**June 30, 2018**
Share price	$3.50	$3.50
Exercise price	$2.00	$2.00
Risk-free interest rate	1.9%	1.9%
Expected life (years)	1.9	1.8
Dividend yield	0%	0%
Expected annualized volatility	76%	80%

On July 5 and 6, 2018, the Company closed a brokered and non-brokered private placement of subscription receipts in connection with its planned public listing at $3.50 per subscription receipt. Please refer to Note 15 for additional details. As a result, the exercise price of the warrants is now fixed at $2.00 per share.

As part of the arrangement, the Company also entered into a services agreement with PharmHouse whereby, upon PharmHouse receiving its license to sell cannabis, the Company is required to arrange for buyers to purchase approximately 25% of the cannabis produced by PharmHouse at a fixed price until December 31, 2020. Additionally, CGC has agreed to purchase from PharmHouse approximately 10% of the cannabis produced by PharmHouse for a fixed price until December 31, 2020. If either the Company or CGC is unable to arrange for buyers to purchase the required cannabis or purchase the required cannabis from PharmHouse, respectively, then a penalty is due equal to the amount otherwise payable under the agreements.

PharmHouse has also agreed to provide the Company with a right of first offer on up to approximately 50% of the cannabis produced by PharmHouse. The terms of this right of first offer agreement stipulate that this percentage may be reduced in future years dependent upon the extent of the future exercise of these rights by the Company.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table outlines changes in financial assets measured at fair value through profit or loss ("FVTPL") for the three months ended June 30, 2018 and for the 340-day period ended March 31, 2018:

Entity	**Instrument**	**Note**	**Balance at March 31, 2018**	**Additions**	**Net change in fair value**	**Balance at June 30, 2018**	**Dividend / interest income**	**Dividend / interest receivable**
Agripharm	Repayable debenture / royalty interest	6(a)	$ 2,326	$ 2,000	$ (346)	$ 3,980	$ 135	$ 297
Agripharm	Warrants	6(a)	447	-	26	473	-	-
JWC	Royalty interest	6(b)	2,662	-	(5)	2,657	122	122
JWC	Warrants	6(b)	813	177	(567)	423	-	-
Radicle	Repayable debenture	6(c)	3,075	1,000	(139)	3,936	46	71
TerrAscend	Warrants	6(d)	37,577	-	(7,815)	29,762	-	-
Vert Mirabel	Preferred shares	6(e)	5,198	8,897	851	14,946	-	-
Civilized	Warrants	6(f)	-	1,335	(187)	1,148	-	-
Total			**$ 52,098**	**$ 13,409**	**$(8,182)**	**$ 57,325**	**$ 303**	**$ 490**

(Expressed in CDN $000's except share amounts)

Included in interest receivable on the statement of financial position is $124 relating to the Company's convertible debenture investment in Radicle and $104 relating to the Company's convertible debenture investment in Civilized.

Entity	Instrument	Note	Balance at April 26, 2017	Add.	Net change in fair value	Reclass.	Balance at March 31, 2018	Dividend / interest income	Dividend / interest receivable
Agripharm	Royalty interest	6(a)	$ -	$ 2,414	$ (88)	$ -	$ 2,326	$ 163	$ 163
Agripharm	Warrants	6(a)	-	586	(139)	-	447	-	-
JWC	Royalty interest	6(b)	-	2,500	162	-	2,662	127	48
JWC	Warrants	6(b)	-	112	701	-	813	-	-
Radicle	Repayable debenture	6(c)	-	3,000	75	-	3,075	31	26
TerrAscend	Common shares	6(d)	-	8,470	14,533	(23,003)	-	-	-
TerrAscend	Warrants	6(d)	-	3,770	33,807	-	37,577	-	-
Vert Mirabel	Preferred shares	6(e)	-	4,996	202	-	5,198	-	-
Total			**$ -**	**$ 25,848**	**$ 49,253**	**$ (23,003)**	**$ 52,098**	**$ 321**	**$ 237**

INVESTMENTS HELD IN PRIOR PERIODS

(a) Agripharm

Agripharm Corp. ("Agripharm") is a licensed producer (cultivation and sales license) under the ACMPR. As at June 30, 2018, the Company had advanced to Agripharm $3,000 pursuant to a royalty agreement (March 31, 2018 – $3,000) and $2,000 pursuant to a repayable debenture agreement (March 31, 2018 – $nil). The Company has committed to advance up to an additional $15,000 pursuant to the repayable debenture agreement. The repayable debenture and royalty interest are being accounted for as one instrument, which is being measured at FVTPL based upon estimated future cash flows to be received under the repayable debenture agreement and royalty agreement discounted to present value at a market rate of interest. As at June 30, 2018, the fair value of the repayable debenture / royalty interest was estimated to be $3,980 (March 31, 2018 – $2,326). Please see Note 11 for additional details.

The Company also has a warrant to acquire 4% of Agripharm for $5,000. The warrant represents a derivative financial instrument that is initially measured at fair value and subsequently measured at FVTPL. As of June 30, 2018, the fair value of the warrant was estimated to be $473 (March 31, 2018 – $447). The fair value of the warrant was estimated using a Black-Scholes option pricing model by applying the following assumptions:

Agripharm Warrant Valuation	Initial Recognition	March 31, 2018	June 30, 2018
Share price	$32.88	$32.88	$32.88
Exercise price	$53.51	$53.51	$53.51
Risk-free interest rate	1.4%	1.8%	1.9%
Expected life (years)	1.5	1.1	0.9
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	82%

(Expressed in CDN $000's except share amounts)

(b) JWC

James E. Wagner Cultivation Ltd. ("JWC") is a publicly-traded licensed producer (cultivation and sales license) under the ACMPR. As at June 30, 2018, the Company had advanced to JWC $2,500 pursuant to a repayable debenture agreement (March 31, 2018 – $2,500), which automatically converted to a royalty interest pursuant to a royalty agreement on March 29, 2018. The royalty interest is being measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. As at June 30, 2018, the fair value of the royalty interest was estimated to be $2,657 (March 31, 2018 – $2,662). Please see Note 11 for additional details.

Prior to the three-month period ended June 30, 2018, the Company had acquired 37,000 common shares of JWC and 5,000 warrants for a total cost base of $3,975. On April 6, 2018, the Company subscribed for 2,000,000 subscription receipts in JWC for $2,300 in connection with a brokered private placement financing undertaken by JWC. Each subscription receipt entitled the Company to one common share in the capital of JWC and one-half of one common share purchase warrant. Each warrant will entitle the Company to acquire one common share in the capital of JWC for $1.50 for a period of 24 months following June 7, 2018. The offering closed April 27, 2018. In connection with the offering and a reverse takeover transaction involving JWC and a TSXV-listed entity, JWC effected a stock split of approximately 270:1. After giving effect to the stock split as well as the issuance of 539,130 penalty shares of JWC to the Company during the period, as at June 30, 2018, the Company owns 12,513,043 common shares of JWC (March 31, 2018 – 9,973,913). The Company has elected to account for its investment in the common shares of JWC at fair value through other comprehensive income ("FVTOCI") at initial recognition. Please refer to Note 7 for additional details.

The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As of June 30, 2018, the fair value of the warrants was estimated to be $423 (March 31, 2018 – $813). The fair value of the warrants was estimated using the Black-Scholes option pricing model by applying the following assumptions (note that the values below related to the measurement at initial recognition and as at March 31, 2018, have been retroactively adjusted to reflect the 270:1 stock split):

JWC Warrant Valuation	Initial Recognition	March 31, 2018	June 30, 2018
Share price	$0.39	$1.06	$0.72
Exercise price	$0.46	$0.46	$0.46-1.50
Risk-free interest rate	1.2%	1.8%	1.9%
Expected life (years)	1.0	0.4	0.1-0.9
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	80%

(c) Radicle

As of June 30, 2018, the Company had advanced to Radicle $4,000 pursuant to a repayable debenture agreement (March 31, 2018 – $3,000). The Company has also entered into a royalty agreement with Radicle pursuant to which the principal amount drawn under the repayable debenture agreement will automatically convert to a royalty interest upon Radicle's receipt of a sales license. The Company has committed to advance up to an additional $1,000 pursuant to the repayable debenture agreement. The repayable debenture and royalty interest are being accounted for as one instrument, which is being measured at FVTPL based upon estimated future cash flows to be received under the repayable debenture agreement and royalty agreement discounted to present value at a market rate of interest. As at June 30, 2018, the fair value of the repayable debenture was estimated to be $3,936 (March 31, 2018 – $3,075). Please see Note 11 for additional details.

(d) TerrAscend

TerrAscend Corp. ("TerrAscend") is a publicly-traded licensed producer (cultivation and sales license) under the ACMPR. As at June 30, 2018, the Company owns 11,285,456 common shares of TerrAscend (March 31, 2018 – 11,285,456) and 9,545,456 warrants (March 31, 2018 – 9,545,456). The Company has elected to account for its investment in the common shares of TerrAscend at FVTOCI at initial recognition. Please refer to Note 7 for additional details.

The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As of June 30, 2018, the fair value of the warrants was estimated to be $29,762 (March 31, 2018 – $37,577). The fair value of the warrants was estimated using the Black-Scholes option pricing model by applying the following assumptions:

(Expressed in CDN $000's except share amounts)

TerrAscend Warrant Valuation	Initial Recognition	March 31, 2018	June 30, 2018
Share price	$2.10	$5.00	$4.13
Exercise price	$1.10	$1.10	$1.10
Risk-free interest rate	1.4%	1.8%	1.9%
Expected life (years)	1.5	1.2	0.9
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	99%

(e) Vert Mirabel

Les Serres Vert Cannabis ("Vert Mirabel") is a licensed producer (cultivation license) under the ACMPR. As at June 30, 2018, the Company had subscribed for 15,000,000 class A preferred shares in Vert Mirabel (March 31, 2018 – 5,453,809) at $1.00 per share, for a total investment of $15,000 (March 31, 2018 – $5,453), with an ascribed cost of $13,893 due to the off-market nature of the prescribed dividends (as described below). The fair value of the preferred shares as at June 30, 2018, was estimated to be $14,946 based on the amounts invested to-date, an 18% cumulative dividend rate, and a market dividend rate of 30% (March 31, 2018 – fair value of $5,198, 18% cumulative dividend rate, and a market dividend rate of 30%). Please refer to Note 11 for additional details.

Upon initial recognition, the dividend rate on the preferred shares was determined to be below market. Accordingly, the Company's commitment to subscribe for additional preferred shares at a below-market dividend rate represented an off-market loan commitment, the value of which was calculated to be $704 as of March 31, 2018, based on the Company's commitment to subscribe for an additional 9,546,191 preferred shares at a dividend rate of 18%. As of June 30, 2018, The Company has fully subscribed for these preferred shares and the off-market loan commitment has been fully settled. The company recognized $56 of income into profit or loss for the three months ended June 30, 2018 ($nil for the 65-day period ended June 30, 2017) related to the settlement of this off-market loan commitment.

The Company also owns 26% of the common shares of Vert Mirabel. The Company has elected to account for its investment in the common shares of Vert Mirabel at FVTOCI at initial recognition. Please refer to Note 7 for additional details.

NEW INVESTMENTS

(f) Civilized

As part of the consideration for entering into the convertible debenture agreement with Civilized described in Note 5(b), the Company also received common share purchase warrants of Civilized with a total exercise price of $3,500 and a 36-month expiry. The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. The fair values of the warrants upon initial recognition of $1,335 and as at June 30, 2018 of $1,148 were estimated using the Black-Scholes option pricing model by applying the following assumptions:

Civilized Warrant Valuation	Initial Recognition	June 30, 2018
Share price	$11.99	$11.99
Exercise price	$12.14	$12.14
Risk-free interest rate	1.9%	1.9%
Expected life (years)	1.5	1.4
Dividend yield	0%	0%
Expected annualized volatility	81%	73%

The fair value of the warrants was recorded as a reduction to the $5,000 advanced pursuant to the convertible debenture agreement, which resulted in the residual amount of $3,665 being allocated to the equity method investment.

Transaction costs of $nil relating to this investment have been expensed into profit or loss for the three months ended June 30, 2018.

(Expressed in CDN $000's except share amounts)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In accordance with *IFRS 9 Financial Instruments*, the Company has elected to measure certain investments in equity instruments at FVTOCI on initial recognition as these investments are long-term and strategic in nature, and net changes in fair value are more suited to be presented in other comprehensive income. Fair value for subsequent measurement is determined in the manner described in Note 11. Please refer to Note 6 and below for further details on these investments.

The following table outlines changes in financial assets measured at FVTOCI for the three months ended June 30, 2018 and for the 340-day period ended March 31, 2018:

Entity	Instrument	Note	Balance at March 31, 2018	Additions	Net change in fair value	Balance at June 30, 2018	Dividend income	Dividend receivable
JWC	Common shares	6(b)	$ 10,591	$ 2,123	$(3,705)	$ 9,009	$ -	$ -
TerrAscend	Common shares	6(d)	56,427	-	(9,818)	46,609	-	-
Vert Mirabel	Common shares	6(e)	35,817	-	3,890	39,707	-	-
LiveWell	Common shares	7(a)	-	$250	8,428	8,678	-	-
Solo Growth	Common shares	7(b)	-	$2,765	6,939	9,704	-	-
Total			**$ 102,835**	**$ 5,138**	**$ 5,734**	**$113,707**	**$ -**	**$ -**

Entity	Instrument	Note	Balance at April 26, 2017	Additions	Net change in fair value	Balance at March 31, 2018	Dividend income	Dividend receivable
JWC	Common shares	6(b)	$ -	$ 3,863	$ 6,728	$ 10,591	$ -	$ -
TerrAscend	Common shares	6(d)	-	23,003	33,424	56,427	-	-
Vert Mirabel	Common shares	6(e)	-	31,470	4,347	35,817	-	-
Total			**$ -**	**$ 58,336**	**$ 44,499**	**$102,835**	**$ -**	**$ -**

(a) LiveWell

LiveWell Foods Canada Inc. ("LiveWell") and its subsidiary, Artiva Inc. ("Artiva") are licensed producer applicants under the ACMPR. On April 2, 2018, CGC and the Company entered into a strategic agreement with LiveWell and Artiva that represents an amendment to the original investment agreement that the parties entered into on November 22, 2017. Under the terms of the amended agreement, LiveWell was granted the option to draw on up to $20,000 of debt financing from the Company (subject to the completion of certain milestones). Furthermore, in exchange for strategic support services and for offering financial support, the Company would receive a 5% equity interest in LiveWell and a royalty on future cannabis production. On April 15, 2018, LiveWell issued 5,487,641 common shares to the Company, per the terms of the amended agreement described above. LiveWell concurrently indicated that it would not be drawing on the available debt financing from the Company, and the offer expired.

Subsequent to this and during the period, LiveWell completed a reverse takeover transaction with Percy Street Capital Corporation, which was renamed "LiveWell Canada Inc.", and commenced trading on the TSXV under the trading symbol "LVWL" on June 21, 2018. Pursuant to the reverse takeover, among other things, each outstanding common share of LiveWell was exchanged for 1.0684 of a common share in the resulting issuer. Accordingly, the Company currently owns 5,863,188 common shares in LiveWell Canada Inc.

As noted above, the Company has elected to account for its investment in the common shares of LiveWell at FVTOCI. The total fair value of this investment on initial recognition was $5,488 resulting in a gain on initial recognition which was deferred until June 21, 2018 when LiveWell became a publicly-traded company. At that time the gain was recognized in other comprehensive income. As of June 30, 2018, the fair value of the Company's investment in LiveWell common shares was estimated to be $8,678. Please see Note 11 for additional details.

Pursuant to the amended agreement described above, CGC shall cover certain license application costs incurred by LiveWell and Artiva. The Company has agreed to reimburse CGC for up to $250 of these licensing costs and has recorded this provision in accounts payable and accrued liabilities. Furthermore, Artiva has entered into an agreement that provides CGC the right to purchase 20% of Artiva's production for a 20-year term upon Artiva receiving a license to sell cannabis. The Company is entitled to a royalty based upon cannabis purchased from LiveWell and Artiva by CGC.

Transaction costs of $8 relating to this investment have been expensed into profit or loss for the three months ended June 30, 2018.

(b) Solo Growth Corp.

Aldershot Resources Ltd. d/b/a Solo Growth Corp. ("Solo Growth") is a retail cannabis distributor in Western Canada. On June 28, 2018, the Company completed a subscription for 55,300,000 common shares of Solo Growth at a price of $0.05 per common share, for a total investment of $2,765. Solo Growth is publicly-traded on the TSXV under the trading symbol "ALZ". In connection with the subscription, the Company and Solo Growth entered into an investor rights agreement, whereby the Company was granted certain pre-emptive rights, rights with respect to future issuances of convertible securities and the right to appoint an individual to the advisory committee of Solo Growth, which will assist its board of directors with developing and executing Solo Growth's retail strategy.

As noted above, the Company has elected to account for its investment in the common shares of Solo Growth at FVTOCI at initial recognition. The fair value of the Company's investment in Solo Growth common shares on initial recognition was estimated to be $8,957. As of June 30, 2018, the fair value of the Company's investment in Solo Growth's common shares was estimated to be $9,704.

Transaction costs of $nil relating to this investment have been expensed into profit or loss for the three months ended June 30, 2018.

8. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. There are two classes of common shares: Class A and Class B. Each Class A common share is entitled to receive 20 votes, while each Class B common share is entitled to receive 1 vote at all meetings of the shareholders. There is no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution or winding-up of the Company.

(b) Issued and outstanding

As at June 30, 2018, there were 36,468,318 Class A and 100,338,878 Class B common shares issued and outstanding.

On May 12, 2017, CGC advanced $20,000 in the form of a convertible debenture to the Company. Other investors advanced $953 of seed capital to purchase 19,066,668 Class B common shares. Of this amount, $503 representing 10,066,668 Class B common shares was paid for through share purchase loans, whereby funds were advanced to the Company by CGC on behalf of certain employees of CGC and another individual. The shares acquired by each CGC employee and the other individual through these share purchase loans have been placed in trust and vest in three equal tranches over three years if: (i) each employee, individually, remains an employee of CGC (or, in the case of the individual, the individual remains a consultant of CGC); and (ii) the individual loans are repaid. In certain cases, there are also additional performance targets. If the loan is not repaid, the shares will be cancelled by the Company and the proceeds received by the Company from the sale of the shares would be returned to CGC. Accordingly, the 10,066,668 shares acquired by way of the share purchase loans were initially accounted for as seed capital options and are not considered issued for accounting purposes until the loans are repaid on an individual employee/consultant basis. On May 8, 2018, share purchase loans in the amount of $288 relating to the Company's shares held in trust by CGC on behalf of certain CGC employees were repaid, resulting in the release from escrow of 5,750,000 shares.

(Expressed in CDN $000's except share amounts)

On April 6, 2018, the Company completed a non-brokered private placement of 454,545 Class B common shares for aggregate gross proceeds of $500 and share issuance costs of $nil.

On May 30, 2018, the Company announced that it had entered into an engagement letter with CIBC Capital Markets and GMP Securities L.P., as joint bookrunners and, together with Eight Capital, as co-agents, on behalf of a syndicate of agents pursuant to which the Company proposed to issue and sell, on a private placement basis, subscription receipts at a price of $3.50 per subscription receipt for aggregate gross proceeds of up to $60,000. On June 18, 2018, the Company announced the size of the offering had been increased to $104,125. Please refer to Note 15 for additional details.

(c) Stock options

The Company does not have a formal stock option plan in place. Stock options are granted at the discretion of the Board. Key terms of each stock option grant to-date include an exercise price that is equal to fair value at the time of issue, and a three-year vesting period.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the period, based on various assumptions and estimates. Expected life was based upon the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the options), and behavioural considerations. The risk-free rate was estimated based upon zero coupon Government of Canada bond yields with a term approximately equal to the expected life of the options. Volatility was estimated based upon the historical share price volatility of comparable companies.

Seed Capital Options

The seed capital options were measured at fair value on May 12, 2017 using a Black-Scholes model and will be remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of shares it expects to vest and is amortizing the expense over the expected vesting period. As noted above, during the three months ended June 30, 2018, loans relating to 5,750,000 seed capital options were repaid and the underlying Class B common shares were issued. During the three months ended June 30, 2018, the Company recorded $9,599 in share-based compensation expense related to this arrangement (65-day period ended June 30, 2017 – $443), which includes the impact of the accelerated vesting of the 5,750,000 shares for which loans were repaid during the period.

The following assumptions are used in determining the fair value of the seed capital options:

Seed Capital Options	Initial Recognition	June 30, 2017	March 31, 2018	June 30, 2018
Share price	$0.05	$0.60	$1.10	$3.50
Exercise price	$0.05	$0.05	$0.05	$0.05
Risk-free interest rate	1.0%	1.0%	1.0%	1.0%
Weighted average expected life (years)	2.7	2.5	1.8	1.6
Dividend yield	0%	0%	0%	0%
Expected annualized volatility	70%	70%	70%	70%
Expected forfeiture rate	0%	0%	0%	0%

(Expressed in CDN $000's except share amounts)

The following table summarizes information about seed capital options outstanding as at June 30, 2018, and March 31, 2018:

	Options Outstanding				Options Exercisable		
Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Number of Options Exercisable	Weighted Average Fair Value per Share	Weighted Average Exercise Price
	$	#	# (years)	$	#	$	$
June 30, 2018	0.05	4,316,668	2.1	3.45	1,250,001	3.45	0.05
March 31, 2018	0.05	10,066,668	2.4	1.05	-	n/a	n/a

Consultant Options

On December 4, 2017, the Company granted 2,575,000 options to purchase Class B common shares to employees of CGC and 2,440,000 options to purchase Class B common shares to other consultants to the Company. These options granted to CGC employees and consultants are considered consultant options from the Company's perspective. The options have an exercise price of $0.60 per Class B common share and are exercisable in increments, with one third being exercisable on each of the first, second and third anniversaries from the date of grant. The expiry date of the options is December 4, 2022. The options were measured at fair value at the date of issuance using a Black-Scholes model and will be expensed over their vesting period. The options will be re-measured at the end of each reporting period until the performance is complete. During the three months ended June 30, 2018, the Company recorded $4,521 in share-based compensation expense related to this arrangement (65-day period ended June 30, 2017 – $nil).

The following assumptions are used in determining the fair value of the consultant options:

Consultant Options	**Initial Recognition**	**March 31, 2018**	**June 30, 2018**
Share price	$0.60	$1.10	$3.50
Exercise price	$0.60	$0.60	$0.60
Risk-free interest rate	1.5%	1.5%	1.5%
Weighted average expected life (years)	3.5	3.2	2.9
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%
Expected forfeiture rate	0%	0%	0%

The following tables summarize information about consultant options outstanding as at June 30, 2018 and March 31, 2018:

	Options Outstanding				Options Exercisable		
Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Number of Options Exercisable	Weighted Average Fair Value per Share	Weighted Average Exercise Price
	$	#	# (years)	$	#	$	$
June 30, 2018	0.60	5,015,000	4.4	2.96	-	n/a	n/a
March 31, 2018	0.60	5,015,000	4.7	0.69	-	n/a	n/a

(Expressed in CDN $000's except share amounts)

Employee Options

During the three months ended June 30, 2018, the Company granted 1,555,000 options to purchase Class B common shares to employees of the Company. The options have exercise prices ranging from $1.10 to $3.50 per Class B common share and are exercisable in increments, with one third being exercisable on each of the first, second and third anniversaries from the date of grant. The options were measured at fair value at the date of issuance using a Black-Scholes model and will be expensed over their vesting period.

The following assumptions are used in determining the fair value of the employee options at their dates of grant:

New Employee Options	**Initial Recognition**
Share price	$1.10 - $3.50
Exercise price	$1.10 - $3.50
Risk-free interest rate	1.5%
Weighted average expected life (years)	3.5
Dividend yield	0%
Expected annualized volatility	70%
Expected forfeiture rate	0%

During the three months ended June 30, 2018, the Company recorded $155 in share-based compensation expense related to employee options (65-day period ended June 30, 2017 – $nil).

The following tables summarize information about employee options outstanding as at June 30, 2018 and March 31, 2018:

	Options Outstanding				**Options Exercisable**		
Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Number of Options Exercisable	Weighted Average Fair Value per Share	Weighted Average Exercise Price
	$	#	# (years)	$	#	$	$
June 30, 2018	1.20	2,455,000	4.7	0.60	-	n/a	n/a
March 31, 2018	1.10	900,000	4.9	0.55	-	n/a	n/a

Summary

The following table is a summary of the changes in the Company's outstanding options during the period:

	# of Options	**Weighted Avg. Exercise Price**
Balance, March 31, 2018	15,981,668	$ 0.28
Granted	1,555,000	1.26
Exercised	5,750,000	0.05
Balance, June 30, 2018	**11,786,668**	**$ 0.52**

(Expressed in CDN $000's except share amounts)

9. RELATED PARTY TRANSACTIONS

(a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and board of directors, who control approximately 4.5% of the outstanding shares of the Company on a fully diluted basis. Compensation provided to key management personnel is as follows:

	3 months ended June 30, 2018	65 days ended June 30, 2017
Share-based compensation	$ 4,975	$ 192
Salaries	120	-

(b) Related party transactions

The Company leased a building to and has a funding arrangement with Spot, a wholly-owned subsidiary of CGC. Please refer to Note 4 and Note 13 for further details on each of these arrangements. As at June 30, 2018, the Company has a $2,648 finance lease receivable from Spot (March 31, 2018 – $2,633). The Company has also recorded $214 in other receivables relating to amounts owed by Spot for lease payments, management fees and property taxes (March 31, 2018 – $214).

As at June 30, 2018, the Company has a $nil liability to CGC included in accounts payable and accrued liabilities arising from advances made by CGC to Vert Mirabel on behalf of the Company (March 31, 2018 – $3,525), as this intercompany liability was settled during the three months ended June 30, 2018.

As at June 30, 2018, the Company has a $216 liability to CGC included in accounts payable and accrued liabilities arising from the share purchase loans provided by CGC relating to the seed capital options discussed in Note 8 (March 31, 2018 – $503). In the event the loans are repaid by the employees/consultant, the related shares will be issued, and the liability will be settled. On May 8, 2018, share purchase loans in the amount of $288 relating to the Company's shares held in trust by CGC on behalf of certain CGC employees were repaid, resulting in the release from escrow of 5,750,000 shares.

As at June 30, 2018, the Company has also recognized a $250 liability to CGC included in accounts payable and accrued liabilities relating to reimbursement for LiveWell's license application costs borne by CGC.

Other intercompany amounts with CGC represent a net receivable of $25.

These transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

10. INCOME TAXES

The major components of the income tax expense (recovery) and the reconciliation of the expected tax expense (recovery) based on the domestic effective tax rate of the Company at 26.5% are as follows:

	3-months ended June 30, 2018	65-days ended June 30, 2017
Profit (loss) before tax from continuing operations	**$ (22,591)**	**$ (632)**
Income tax expense calculated at 26.5%	(5,987)	(167)
Effect of expenses that are not deductible in determining taxable profit	3,783	119
Effect of capital gains tax rate applied to temporary differences related to financial assets at fair value through profit or loss	1,107	-
Income tax expense	**$ (1,097)**	**$ (48)**

Expenses that are not deductible in determining taxable profit primarily relate to share-based compensation expense.

(Expressed in CDN $000's except share amounts)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

The following deferred tax assets (liabilities) have been recognized for accounting purposes:

	As at June 30, 2018	As at March 31, 2018
Tax loss carryforwards	$ 254	$ 219
Share issuance costs	662	706
Investments in associates and joint venture	62	33
Financial assets at fair value through profit or loss	(3,370)	(4,448)
Financial assets at fair value through other comprehensive income	(8,770)	(8,010)
Deferred tax asset (liability)	**$ (11,162)**	**$ (11,500)**

For the three months ended June 30, 2018, the Company has recognized $nil of income tax recovery directly in equity related to share issuance costs (65-day period ended June 30, 2017 - $592).

As at June 30, 2018, the Company has $957 in non-capital losses available to reduce future years' federal and provincial taxable income, which expire in 2038 (March 31, 2018 - $825).

11. FINANCIAL INSTRUMENTS

(a) Fair values

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the observability of significant 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 one or more significant 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. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying amount of cash and cash equivalents, interest receivable, other receivables, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The carrying amount of the finance lease receivable approximates its fair value due to consistency of current market rates and credit risk.

The following table provides information about how the fair values as at June 30, 2018, of the Company's other financial instruments are determined:

	Fair value as at June 30, 2018	Fair value as at March 31, 2018	Classifi-cation	Fair value hierarchy	Valuation technique	Key inputs
Financial assets – fair value through profit or loss						
Agripharm Repayable Debenture / Royalty Interest	$3,980	$2,326	FVTPL	Level 3	Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty / minimum payment *Key unobservable inputs:* • Timing of draw • Cannabis production • Discount rate (22% at June 30, 2018; 22% at March 31, 2018)
Agripharm Warrants	$473	$447	FVTPL	Level 3	Black-Scholes option pricing model	*Key observable inputs:* • Exercise price

(Expressed in CDN $000's except share amounts)

	Fair value as at June 30, 2018	Fair value as at March 31, 2018	Classification	Fair value hierarchy	Valuation technique	Key inputs
						• Risk-free interest rate *Key unobservable inputs:* • Share price • Dividend yield • Expected life • Expected annualized volatility
JWC Royalty Interest	$2,657	$2,662	FVTPL	Level 3	Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty / minimum payment *Key unobservable inputs:* • Cannabis production • Discount rate (19% at June 30, 2018; 19% at March 31, 2018)
JWC Warrants	$423	$813	FVTPL	Level 3	Black-Scholes option pricing model	*Key observable inputs:* • Exercise price • Risk-free interest rate *Key unobservable inputs:* • Share price • Dividend yield • Expected life • Expected annualized volatility
Radicle Repayable Debenture	$3,936	$3,075	FVTPL	Level 3	Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty / minimum payment *Key unobservable inputs:* • Cannabis production • Discount rate (19% at June 30, 2018; 19% at March 31, 2018)
TerrAscend Warrants	$29,762	$37,577	FVTPL	Level 3	Black-Scholes option pricing model	*Key observable inputs:* • Share price • Exercise price • Risk-free interest rate • Dividend yield *Key unobservable inputs:* • Expected life • Expected annualized volatility

(Expressed in CDN $000's except share amounts)

	Fair value as at June 30, 2018	Fair value as at March 31, 2018	Classifi-cation	Fair value hierarchy	Valuation technique	Key inputs
Vert Mirabel Preferred Shares	$14,946	$5,198	FVTPL	Level 3	Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Dividend yield (18% at June 30, 2018; 18% at March 31, 2018) *Key unobservable inputs:* • Timing of subscription and subsequent redemption • Discount rate (30% at June 30, 2018; 30% at March 31, 2018)
Civilized Warrants	$1,148	$ –	FVTPL	Level 3	Black-Scholes option pricing model	*Key observable inputs:* • Exercise price • Risk-free interest rate *Key unobservable inputs:* • Share price • Dividend yield • Expected life • Expected annualized volatility
Total	**$57,325**	**$52,098**				
Financial assets – fair value through other comprehensive income						
JWC Common Shares	$9,009	$ –	FVTOCI	Level 1	Quoted share price	N/A
JWC Common Shares	$ –	$10,591	FVTOCI	Level 3	Market approach – most recent financing: based upon per share valuation in JWC's most recent financing round launched in March 2018, after deducting the estimated fair value of the associated warrants	*Key observable inputs:* • Financing price • Exercise price on warrants • Risk-free interest rate *Key unobservable inputs:* • Dividend yield • Expected life • Expected annualized volatility
TerrAscend Common Shares	$46,609	$56,427	FVTOCI	Level 1	Quoted share price	N/A
Vert Mirabel Common Shares	$39,707	$35,817	FVTOCI	Level 3	Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key unobservable inputs:* • Cannabis production • Selling price per gram (long-term) • Production cost per gram • Discount rate (30% at June 30, 2018; 35% at March 31, 2018) • Discount for lack of marketability (20% at June 30, 2018; 20% at March 31, 2018)

(Expressed in CDN $000's except share amounts)

	Fair value as at June 30, 2018	Fair value as at March 31, 2018	Classification	Fair value hierarchy	Valuation technique	Key inputs
LiveWell Common Shares	$8,678	$ –	FVTOCI	Level 1	Quoted share price	N/A
Solo Growth Corp. Common Shares	$9,704	$ –	FVTOCI	Level 1	Quoted share price	*Key unobservable inputs:* • Liquidity discount (10% at June 30, 2018; n/a at March 31, 2018)
Total	**$113,707**	**$102,835**				
Financial liabilities – fair value through profit or loss						
PharmHouse Warrants (Derivative Warrant Liability)	$29,232	$ –	FVTPL	Level 3	Black-Scholes option pricing model	*Key observable inputs:* • Exercise price • Risk-free interest rate *Key unobservable inputs:* • Share price • Dividend yield • Expected life • Expected annualized volatility
Total	**$29,232**	**$ –**				

Total fair values by fair value hierarchy level are as follows:

<u>Financial assets</u>

Level 1 – June 30, 2018: $74,000 (March 31, 2018: $56,427)

Level 3 – June 30, 2018: $97,032 (March 31, 2018: $98,506)

<u>Financial liabilities</u>

Level 3 – June 30, 2018: $29,232 (March 31, 2018: $nil)

The following valuation techniques and the corresponding significant unobservable inputs are used by the Company for instruments categorized in Level 3 of the fair value hierarchy:

- Black-Scholes option pricing model (Level 3) – Significant unobservable inputs and the relationship to fair value can include the following:
  - Share price – An increase in this input would result in an increase in fair value.
  - Expected life (years) – An increase in this input would result in an increase in fair value.
  - Dividend yield – An increase in this input would result in a decrease in fair value.
  - Expected annualized volatility – An increase in this input would result in an increase in fair value.

- Income approach (Level 3) – Discounted cash flows are used to capture the present value of the expected future economic benefits to be derived from certain investments in the Company's portfolio. Significant unobservable inputs and the relationship to fair value can include the following:
  - Cannabis production, considering management's experience and knowledge of the investees' growing facilities. An increase in this input would result in an increase in fair value.
  - Selling price per gram, considering management's experience and knowledge of market conditions of the cannabis industry. An increase in this input would result in an increase in fair value.
  - Production cost per gram, considering management's experience and knowledge of market conditions of the cannabis industry, and the types of facilities in which the investees operate. An increase in this input would result in a decrease in fair value.

- Discount rate determined based upon expected rates of return for early-stage ventures commensurate with the risk inherent in achieving the cash flows. An increase in this input would result in a decrease in fair value.
- Discount for lack of marketability, determined by reference to precedent transactions where control is acquired, and in consideration of the various relative rights held by the Company with respect to its individual investments. An increase in this input would result in a decrease in fair value.

During the period, JWC common shares with an estimated fair value of $12,511 were transferred from Level 3 to Level 1 on June 11, 2018 as JWC began trading on the TSXV and quoted prices in an active market became available. Also, during the period, LiveWell common shares with an estimated fair value of $5,863 were transferred from Level 3 to Level 1 on June 21, 2018 as LiveWell began trading on the TSXV and quoted prices in an active market became available.

12. CAPITAL MANAGEMENT

The Company's objective is to maintain a sufficient capital base so as to: (i) maintain investor, investee, and, if applicable, creditor and customer, confidence; (ii) sustain future development of the business; and (iii) provide the ability to continue as a going concern. The Company considers its capital structure to include shareholders' equity and, to the extent it exists, interest-bearing debt.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or debt to maintain or adjust its capital structure.

As at June 30, 2018, total managed capital was $190,773 (March 31, 2018 – $192,230) comprised of shareholders' equity of $190,773 (March 31, 2018 – $192,230) and interest-bearing debt of $nil (March 31, 2018 – $nil).

The Company is dependent upon expected business growth, changes in the business environment and capital markets as its sources of operating capital. The Company is not subject to any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period.

13. COMMITMENTS

Under the terms of the agreement to form PharmHouse as described in Note 5(c), the Company has agreed to provide an additional contribution of $9,800 in equity financing. This contribution was made on July 19, 2018.

Under the terms of the repayable debenture agreement with Agripharm as described in Note 6(a), the Company has agreed to provide Agripharm additional financing of up to $15,000 to fund working capital and capital expenditure requirements. Of this amount, Agripharm is required to draw, and the Company is required to advance, an additional $5,000 on or before December 1, 2018, and an additional $2,000 on or before December 1, 2019, such that a minimum of $12,000 will have been advanced as of December 1, 2019. At Agripharm's option, Agripharm may draw up to the remaining $8,000 during the term of the agreement. Subsequent to June 30, 2018, the Company advanced $2,000 to Agripharm.

Under the terms of the repayable debenture agreement with Radicle as described in Note 6(c), the Company has agreed to provide Radicle additional financing of up to $1,000. Radicle is required to draw, and the Company is required to advance, the remaining $1,000 at a future date, at which time the Company's investment is expected to convert to a royalty interest. Subsequent to June 30, 2018, the Company advanced the remaining $1,000 to Radicle.

As discussed in Note 4, Spot is an ACMPR applicant and is a wholly-owned subsidiary of CGC. The Company has entered into a repayable debenture agreement with Spot to provide financing of up to $13,500 to help fund the construction of Spot's production facility. As of June 30, 2018, $nil had been advanced to Spot under this agreement. Spot is required to draw, and the Company is required to advance, the entire amount available at a future date, at which time the Company's investment is expected to convert to a royalty interest. The Company expects this to occur within its next fiscal year.

14. EARNINGS PER SHARE

Basic earnings per share ("EPS") amounts are calculated by dividing the net income of the Company by the weighted average number of shares outstanding during the period.

(Expressed in CDN $000's except share amounts)

Diluted EPS amounts are calculated by dividing the net income of the Company by the weighted average number of shares outstanding during the period if potentially dilutive common shares have been issued during the period. As at June 30, 2018 and June 30, 2017, all instruments were anti-dilutive.

The following table sets forth the calculation of basic EPS:

	Three-months ended June 30, 2018		
	Net loss	**Weighted average number of shares**	**EPS**
Basic	**$ (21,494)**	**134,402,552**	**$(0.16)**
Dilutive securities		–	
Diluted	**$ (21,494)**	**134,402,552**	**$(0.16)**

	65-days ended June 30, 2017		
	Net loss	**Weighted average number of shares**	**EPS**
Basic	**$ (584)**	**29,083,248**	**$(0.02)**
Dilutive securities		–	
Diluted	**$ (584)**	**29,083,248**	**$(0.02)**

15. SUBSEQUENT EVENTS

On July 4, 2018, the Company entered into a definitive amalgamation agreement with AIM2 Ventures Inc. ("AIM2") and 10859150 Canada Inc. ("Subco"), a wholly-owned subsidiary of AIM2, which outlines the terms and conditions pursuant to which the parties will complete a business combination transaction involving the Company and AIM2 (the "Transaction"). The Transaction will result in a reverse takeover of AIM2 by the Company and will constitute AIM2's "Qualifying Transaction" (as such term is defined in Policy 2.4 of the TSX Venture Exchange Manual). Pursuant to the Transaction, the Company and Subco will amalgamate to form a new amalgamated company, and upon such amalgamation, holders of Class B common shares of the Company ("Canopy Rivers Subordinated Voting Shares") will receive one post-consolidation AIM2 common share (a "New AIM2 Subordinated Voting Share") for each Canopy Rivers Subordinated Voting Share held and CGC, the sole holder of the Class A common shares of the Company (the "Canopy Rivers Multiple Voting Shares"), will receive one new AIM2 multiple voting share for each Canopy Rivers Multiple Voting Share held. The Transaction is expected to close on September 17, 2018.

On July 6, 2018, the Company completed its previously announced private placement of subscription receipts for gross proceeds of $104,212. In total, 28,792,000 subscription receipts were sold pursuant to a brokered portion of the offering and an additional 982,857 subscription receipts were sold on a non-brokered basis.

On July 6, 2018, the Company advanced $1,000 to Radicle pursuant to the terms of its repayable debenture agreement described in Note 6(c) above.

Only July 19, 2018, the Company advanced $9,800 to PharmHouse pursuant to the terms of the initial subscription of common shares described in Notes 5(c) and 13.

On July 24, 2018, the Company completed a $750 investment in CanapaR Corp. ("Canapar"), the Canadian parent corporation of CanapaR SrL ("Canapar Italy"), a Sicily-based company formed for the purposes of organic hemp cultivation and extraction in Italy. Canapar, through Canapar Italy, proposes to work with the Department of Agriculture of the University of Catania, which carries out significant research regarding agricultural and food production, including the growing of hemp, and alongside farmers in Sicily on organic hemp cultivation. Canapar Italy intends to purchase this hemp on a wholesale basis from the farmers and extract organic cannabidiol oil from the hemp.

On July 30, 2018, the Company granted 3,725,000 options to purchase Class B common shares to certain employees, directors, and consultants of the Company, with each option permitting the holder to acquire one Class B common share at a price of $3.50 per share.

(Expressed in CDN $000's except share amounts)

On July 30, 2018, the Company advanced $2,000 to Agripharm pursuant to the terms of its repayable debenture agreement described in Note 6(a).

16. SUPPLEMENTAL CASH FLOW INFORMATION

		3-months ended June 30, 2018
Additions to investments in associates and joint venture	$	32,897
(-) Non-cash additions to investment in PharmHouse		(29,232)
Purchase of investments in associates and joint venture	**$**	**3,665**

		3-months ended June 30, 2018
Additions to financial assets at FVTPL	$	13,409
(+) Repayment of preferred share advances to Vert Mirabel made by CGC		3,525
(+) Fair value differences upon initial recognition of preferred share advances		650
Purchase of financial assets at FVTPL	**$**	**17,584**