

# **CANOPY RIVERS INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

**(IN CANADIAN DOLLARS)**

# CANOPY RIVERS INC.

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**CANOPY RIVERS INC.**

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in CDN \$000's)	Notes	As at December 31, 2019	As at March 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 49,678	\$ 104,183
Interest and royalty receivable	8,10	\$ 9,733	3,080
Other receivables		\$ 185	121
Prepaid expenses and other assets		\$ 380	226
		<b>59,976</b>	<b>107,610</b>
Restricted cash	5	-	12,000
Brokerage payments deposit	6	1,000	-
Finance lease receivable	7	2,751	2,695
Right-of-use assets		591	-
Loans receivable	8	41,470	40,000
Equity method investees	9	64,699	64,891
Financial assets at fair value through profit or loss	10	95,481	54,705
Financial assets at fair value through other comprehensive income	11	71,192	137,298
Other long-term assets		75	86
		<b>277,259</b>	<b>311,675</b>
<b>Total assets</b>		<b>\$ 337,235</b>	<b>\$ 419,285</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,556	\$ 4,133
Lease liability - current		\$ 145	-
		<b>1,701</b>	<b>4,133</b>
Lease liability - non-current		456	-
Deferred tax liability		-	6,966
		<b>456</b>	<b>6,966</b>
		<b>2,157</b>	<b>11,099</b>
<b>Shareholders' equity</b>			
Share capital	12	285,600	281,320
Share-based payment reserve		27,589	23,646
Contributed surplus		58,609	58,609
Retained earnings (deficit)		(36,720)	44,611
		<b>335,078</b>	<b>408,186</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 337,235</b>	<b>\$ 419,285</b>
Commitments (Note 16)			
Subsequent events (Note 18)			

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

**CANOPY RIVERS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME (LOSS) AND OTHER COMPREHENSIVE LOSS**

(Expressed in CDN \$000's, except for per share amounts)	Notes	Three months ended		Nine months ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Operating income</b>					
Income on finance lease receivable	7	\$ 165	\$ 161	\$ 492	\$ 480
Income on loans receivable	8	1,222	471	3,653	471
Share of loss from equity method investees	9	(1,307)	(1,271)	(2,957)	(2,619)
Income on financial assets at fair value					
through profit or loss	10	3,634	652	5,188	1,358
Net changes in fair value of financial assets at fair value					
through profit or loss	10	(1,901)	8,365	(948)	32,649
Net changes in fair value of off-market commitment		-	-	-	56
<b>Total operating income</b>		<b>1,813</b>	<b>8,378</b>	<b>5,428</b>	<b>32,395</b>
<b>Operating expenses</b>					
Consulting and professional fees		929	788	2,604	1,787
General and administrative expenses		1,755	651	5,300	1,232
Share-based compensation	12	1,133	5,193	7,787	19,919
Depreciation and amortization expense		43	-	128	-
<b>Total operating expenses</b>		<b>3,860</b>	<b>6,632</b>	<b>15,819</b>	<b>22,938</b>
<b>Net operating income (loss)</b>		<b>(2,047)</b>	<b>1,746</b>	<b>(10,391)</b>	<b>9,457</b>
<b>Other expenses</b>					
Interest expense		9	-	28	-
Other expenses (income), net		(283)	(796)	(1,573)	(272)
<b>Income (loss) before taxes</b>		<b>(1,773)</b>	<b>2,542</b>	<b>(8,846)</b>	<b>9,729</b>
Income tax expense	14	906	1,119	1,205	3,985
<b>Net income (loss)</b>		<b>\$ (2,679)</b>	<b>\$ 1,423</b>	<b>\$ (10,051)</b>	<b>\$ 5,744</b>
<b>Other comprehensive loss not subsequently reclassified to net loss</b>					
Net change in fair value of financial assets at fair value					
through other comprehensive loss, net of tax recovery of \$4,154 and \$9,350 (2018 - \$12,364 and \$8,658)	9,11	(37,244)	(80,948)	(71,280)	(56,689)
<b>Total comprehensive loss</b>		<b>\$ (39,923)</b>	<b>\$ (79,525)</b>	<b>\$ (81,331)</b>	<b>\$ (50,945)</b>
<b>Earnings (loss) per share - basic</b>	17	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.04</b>
<b>Earnings (loss) per share - diluted</b>	17	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.05)</b>	<b>\$ 0.04</b>

**CANOPY RIVERS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

(Expressed in CDN \$000's)	Notes	Nine months ended	
		December 31, 2019	December 31, 2018
<b>Cash flows from operating activities</b>			
Net income (loss)		\$ (10,051)	\$ 5,744
<b>Adjustments for:</b>			
Income on finance lease receivable	7	(492)	(480)
Share of loss from equity method investees	9	2,957	2,619
Net changes in fair value of financial assets at fair value through profit or loss	10	948	(32,649)
Net changes in fair value of off-market commitment		-	(56)
Share-based compensation expense	12	7,787	19,919
Interest expense		28	-
Income tax expense	14	1,205	3,985
Other non-cash expenses (income)		128	(334)
Increase in interest and royalty receivable		(7,281)	(1,378)
Increase in other receivables		(64)	(220)
Increase in prepaid expenses and other assets		(169)	(302)
Decrease in accounts payable and accrued liabilities		(1,305)	(181)
<b>Net cash used in operating activities before income taxes paid</b>		<b>(6,309)</b>	<b>(3,333)</b>
Income taxes paid		(671)	-
<b>Net cash used in operating activities</b>		<b>\$ (6,980)</b>	<b>\$ (3,333)</b>
<b>Cash flows from investing activities</b>			
Restricted cash reserve	5	12,000	-
Brokerage payments deposit	6	(1,000)	-
Investment in loans receivable	8	(1,470)	(40,000)
Purchase of investments in equity method investees	9	(2,867)	(22,215)
Purchase of financial assets at fair value through profit or loss	10	(41,364)	(25,584)
Purchase of financial assets at fair value through other comprehensive income	11, 19	(14,301)	(9,723)
Disposition of financial assets at fair value through other comprehensive income	11	150	-
Payment of lease principal		(117)	-
Distributions from equity method investees	9	-	613
Payments from finance lease receivable		435	435
Purchase of other long-term assets		(3)	(93)
<b>Net cash used in investing activities</b>		<b>\$ (48,537)</b>	<b>\$ (96,567)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of Subordinated Voting Shares	12	-	105,296
Proceeds from exercise of stock options and warrants	12	1,012	325
Share issuance costs		-	(5,091)
<b>Net cash provided by financing activities</b>		<b>\$ 1,012</b>	<b>\$ 100,530</b>
Net increase (decrease) in cash		\$ (54,505)	\$ 630
Cash, beginning of fiscal period		104,183	46,299
<b>Cash, end of fiscal period</b>		<b>\$ 49,678</b>	<b>\$ 46,929</b>

**CANOPY RIVERS INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in CDN \$000's, except for share amounts)	Number of Multiple Voting Shares	Number of Subordinated Voting Shares	Share capital	Share-based payment reserve	Contributed surplus	Retained earnings (deficit)	Shareholders' equity
<b>Balance at March 31, 2018</b>	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 Subordinated Voting Shares pursuant to repayment of share purchase loans	-	5,750,000	6,037	(6,037)	-	-	-
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	4,333	-	-	4,333
Share-based compensation (Subordinated Voting Shares)	-	-	-	2,421	-	-	2,421
Other comprehensive loss	-	-	-	-	-	(2,371)	(2,371)
Net loss	-	-	-	-	-	(6,628)	(6,628)
<b>Balance at June 30, 2018</b>	<b>36,468,318</b>	<b>100,338,878</b>	<b>\$ 87,784</b>	<b>\$ 6,979</b>	<b>\$ 30,045</b>	<b>\$ 65,965</b>	<b>\$ 190,773</b>
Equity financing – April 6, 2018 – net of share issue costs of \$nil	-	-	-	-	-	-	-
Equity financing – July 6, 2018 – net of share issue costs of \$3,742	-	30,136,229	\$ 101,735	\$ -	\$ 88	\$ -	\$ 101,823
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	1,938	-	-	1,938
Share-based compensation (Subordinated Voting Shares)	-	-	-	6,034	-	-	6,034
Warrant Issuance (PharmHouse)	-	-	-	-	28,512	-	28,512
Other comprehensive income	-	-	-	-	-	26,630	26,630
Net income	-	-	-	-	-	10,949	10,949
<b>Balance at September 30, 2018</b>	<b>36,468,318</b>	<b>130,475,107</b>	<b>\$ 189,519</b>	<b>\$ 14,951</b>	<b>\$ 58,645</b>	<b>\$ 103,544</b>	<b>\$ 366,659</b>
Equity financing – April 6, 2018 – net of share issue costs of \$nil	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Equity financing – July 6, 2018 – net of share issue costs of \$3,742	-	-	-	-	-	-	-
Equity financing – February 4, 2019 – net of share issue costs of \$2,948	-	-	-	-	-	-	-
Repayment of share purchase loans – May 8, 2018	-	-	-	-	-	-	-
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	-	-	-	-	-	-
Exercise of options	-	25,700	101	(51)	(16)	-	34
Exercise of warrants	-	1,222	5	-	(2)	-	3
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	1,286	-	-	1,286
Share-based compensation (Subordinated Voting Shares)	-	-	-	3,907	-	-	3,907
Warrant Issuance (PharmHouse)	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	(80,948)	(80,948)
Net income	-	-	-	-	-	1,423	1,423
<b>Balance at December 31, 2018</b>	<b>36,468,318</b>	<b>130,502,029</b>	<b>\$ 189,625</b>	<b>\$ 20,093</b>	<b>\$ 58,627</b>	<b>\$ 24,019</b>	<b>\$ 292,364</b>
<b>Balance at March 31, 2019</b>	36,468,318	150,592,136	281,320	23,646	58,609	44,611	408,186
Repayment of share purchase loans	-	-	19	-	-	-	19
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	377,775	1,061	(1,061)	-	-	-
Exercise of options (excluding seed capital options)	-	111,665	407	(340)	-	-	67
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	861	-	-	861
Share-based compensation (Subordinated Voting Shares)	-	-	-	2,825	-	-	2,825
Other comprehensive loss	-	-	-	-	-	(5,784)	(5,784)
Net loss	-	-	-	-	-	(2,966)	(2,966)
<b>Balance at June 30, 2019</b>	<b>36,468,318</b>	<b>151,081,576</b>	<b>\$ 282,807</b>	<b>\$ 25,931</b>	<b>\$ 58,609</b>	<b>\$ 35,861</b>	<b>\$ 403,208</b>
Repayment of share purchase loans	-	-	29	-	-	-	29
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	583,333	1,322	(1,322)	-	-	-
Exercise of options (excluding seed capital options)	-	66,667	243	(203)	-	-	40
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	494	-	-	494
Share-based compensation (Subordinated Voting Shares)	-	-	-	2,474	-	-	2,474
Other comprehensive loss	-	-	-	-	-	(28,252)	(28,252)
Net loss	-	-	-	-	-	(4,406)	(4,406)
<b>Balance at September 30, 2019</b>	<b>36,468,318</b>	<b>151,731,576</b>	<b>\$ 284,401</b>	<b>\$ 27,374</b>	<b>\$ 58,609</b>	<b>\$ 3,203</b>	<b>\$ 373,587</b>
Deferred tax asset derecognition – share issuance costs	-	-	(626)	-	-	-	(626)
Repayment of share purchase loans	-	-	2	-	-	-	2
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	38,890	116	(116)	-	-	-
Exercise of options (excluding seed capital options)	-	883,332	1,707	(802)	-	-	905
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	194	-	-	194
Share-based compensation (Subordinated Voting Shares)	-	-	-	939	-	-	939
Other comprehensive loss	-	-	-	-	-	(37,244)	(37,244)
Net loss	-	-	-	-	-	(2,679)	(2,679)
<b>Balance at December 31, 2019</b>	<b>36,468,318</b>	<b>152,653,798</b>	<b>\$ 285,600</b>	<b>\$ 27,589</b>	<b>\$ 58,609</b>	<b>\$ (36,720)</b>	<b>\$ 335,078</b>

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

**1. DESCRIPTION OF BUSINESS**

Canopy Rivers Inc. (the "Company" or "Canopy Rivers"), formerly AIM2 Ventures Inc. ("AIM2"), is the parent company of Canopy Rivers Corporation (CRC, as defined below). The Company is controlled by Canopy Growth Corporation ("CGC"), a publicly-traded corporation listed on the Toronto Stock Exchange ("TSX") under the trading symbol "WEED" and on the New York Stock Exchange ("NYSE") under the trading symbol "CGC". Canopy Rivers is a venture capital firm specializing in cannabis. 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. Canopy Rivers is a publicly-traded corporation listed on the TSX under the trading symbol "RIV".

The Company was incorporated under the name "AIM2 Ventures Inc." by articles of incorporation pursuant to the *Business Corporations Act* (Ontario) on October 31, 2017. The principal business of the Company at the time of incorporation was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as such term is defined in Policy 2.4 of the TSXV Corporate Finance Manual (the "Manual"). On February 14, 2018, AIM2 completed its initial public offering and became a Capital Pool Company (as defined in Policy 2.4 of the Manual) listed on the TSXV under the trading symbol "AIMV.P" (amended on February 21, 2018, to "AIMB.P").

On September 17, 2018, AIM2 completed the acquisition of 100% of the issued and outstanding securities of Canopy Rivers Corporation ("CRC PrivateCo") in connection with a business combination involving the Company and CRC PrivateCo (the "Qualifying Transaction"). The Qualifying Transaction was completed by way of a "three-cornered" amalgamation pursuant to which CRC PrivateCo and 10859150 Canada Inc. ("SubCo"), a wholly-owned subsidiary of the Company, amalgamated and the resulting entity became a wholly-owned subsidiary of the Company and continued under the name "Canopy Rivers Corporation" ("CRC").

Immediately prior to the Qualifying Transaction, the Company changed its name from "AIM2 Ventures Inc." to "Canopy Rivers Inc." In addition, in connection with the Qualifying Transaction, the Company filed articles of amendment to consolidate (the "Consolidation") its existing common shares (the "Common Shares") on the basis of one post-Consolidation Common Share for every 26.565 pre-Consolidation Common Shares and to change its authorized capital to create two classes of shares, subordinated voting shares (the "Subordinated Voting Shares") and multiple voting shares (the "Multiple Voting Shares" and, together with the Subordinated Voting Shares, the "Shares"), and re-designate each outstanding post-Consolidation Common Share as a Subordinated Voting Share.

After giving effect to the Consolidation, AIM2 had 361,372 Shares, 36,137 options, and 18,821 broker warrants issued and outstanding immediately prior to the closing of the Qualifying Transaction. Upon the completion of the Qualifying Transaction, the Company had 166,943,425 Shares and 29,966,626 options and warrants issued and outstanding, with the former CRC PrivateCo shareholders holding 166,582,053 Shares, and the former CRC PrivateCo option holders and warrant holders holding 29,911,668 options and warrants (approximately 99.8% on a dilutive basis).

The Qualifying Transaction does not qualify as a business combination under *IFRS 3, Business Combinations*, because the accounting acquiree (AIM2) did not meet the definition of a business. As a result, for accounting purposes, the Qualifying Transaction has been accounted for as a reverse takeover asset acquisition with CRC being identified as the acquirer and the net assets of AIM2 being treated as the acquired assets, and a share-based payment under *IFRS 2, Share-based Payments* ("IFRS 2") related to the acquisition of the public company listing. Accordingly, these condensed interim consolidated financial statements are presented as a continuation of CRC, which has a financial year-end of March 31. Additional information on the Qualifying Transaction is disclosed in Note 4.

**2. BASIS OF PRESENTATION****(a) Statement of compliance**

These condensed interim consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on February 13, 2020.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

**(b) Basis of measurement**

The Interim Financial Statements have been prepared in Canadian dollars on a historical cost basis, except for certain financial instruments that are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods purchased and services provided.

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 that 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. Please refer to Notes 10, 11, and 15 for fair value considerations.

**(c) Basis of preparation**

These Interim Financial Statements of the Company were prepared in accordance with *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting* ("IAS 34") as issued by the IASB.

Except as discussed in Note 3, the same accounting policies and methods of computation were followed in the preparation of the Interim Financial Statements as were followed in the preparation of the audited annual consolidated financial statements as at and for the twelve months ended March 31, 2019 (the "Annual Financial Statements"), prepared in accordance with IFRS as issued by the IASB.

The notes presented in the Interim Financial Statements include, in general, only significant changes and transactions occurring since March 31, 2019. As such, certain disclosures included in the Interim Financial Statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, the Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

The preparation of condensed interim consolidated 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.

The Interim Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

**(d) Principles of consolidation**

The Interim Financial Statements represent accounts of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

As at December 31, 2019, the Company controlled the following legal entities:

- CRC
- 2683922 Ontario Inc.
- River Brands Inc. (formerly 2697688 Ontario Inc.)

The Company does not control any of its investees.



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

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**3. CHANGES IN ACCOUNTING POLICY****IFRS 16, Leases**

Effective April 1, 2019, the Company adopted *IFRS 16, Leases* ("IFRS 16") using the modified retrospective method, including a set of practical expedients and elections. Under this approach, the comparative information has not been restated and continues to be reported under *IAS 17, Leases* ("IAS 17").

IFRS 16 introduces a single lease accounting model that eliminates the prior distinction between operating and finance leases for lessees, and requires the recognition of a right-of-use asset and a lease liability at the lease commencement date for all leases, with the exception of short-term leases (under 12 months) and leases of low value.

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were not recognized on the statement of financial position. From April 1, 2019, the Company:

- recognizes right-of-use assets and lease liabilities on the condensed interim consolidated statement of financial position, initially measured at the present value of future lease payments;
- depreciates right-of-use assets on a straight-line basis over the shorter of the estimated useful life of the asset or the remaining lease term;
- presents interest expense on lease liabilities as a component of "Interest expense" within the condensed interim consolidated statement of comprehensive income; and
- presents the principal portion of its total lease payments within "Financing activities" and the interest portion within "Operating activities" on the condensed interim consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with *IAS 36, Impairment of Assets*.

Prior to April 1, 2019, the Company classified all lease commitments as operating and did not record them on the condensed interim consolidated statement of financial position. Operating lease payments were recognized as expenses on a straight-line basis over the lease term in "General and administrative expenses" within the condensed interim consolidated statement of comprehensive income (or loss) and operating lease payments were reported as "Operating activities" in the condensed interim consolidated statement of cash flows.

The Company applied certain practical expedients and elections at April 1, 2019, the initial application date of IFRS 16. Specifically, the Company:

- continued to treat contracts determined to be leases under the prior accounting standard as leases under IFRS 16;
- measured right-of-use assets as equal to the lease liabilities on the date of transition, adjusted for prepaid rent and deferred rent;
- retained prior assessments of onerous lease contracts under *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*; and
- excluded from recognized assets and liabilities, as applicable (a) initial direct costs to enter the lease; (b) leases with a remaining term of 12 months or less from April 1, 2019; and (c) low-value leases, all of which will continue to be accounted for as "General and administrative expenses" in the condensed interim consolidated statement of comprehensive income (or loss).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

The following table reconciles operating lease commitments at March 31, 2019, to lease liabilities recognized in the condensed interim consolidated statement of financial position at April 1, 2019, the date of initial application.

	<b>April 1, 2019</b>
Operating lease commitments at March 31, 2019	\$799
Leases beginning after April 1, 2019	-
<b>Operating lease commitments subject to IFRS 16</b>	<b>\$799</b>
Discounted at 5.7%, the weighted average incremental borrowing rate at April 1, 2019	\$690
Exemption of short-term and low value leases	-
<b>Lease liabilities at April 1, 2019</b>	<b>\$690</b>

The operating lease commitment at March 31, 2019, excludes non-lease components, as the Company has elected to account for non-lease components separately as incurred.

In the context of transition to IFRS 16, the Company recognized right-of-use assets of \$704 and lease liabilities of \$690 as at April 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the condensed interim consolidated statement of financial position at April 1, 2019, was approximately 5.7%.

### **Leases**

For periods beginning from April 1, 2019:

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a specified period in exchange for consideration. When the Company leases assets from third parties, the Company is the lessee. When the Company leases assets to third parties, the Company is the lessor.

#### *Lessee*

At the lease commencement date, a right-of-use asset for the underlying leased asset and corresponding lease liability are recognized in the condensed interim consolidated statement of financial position measured on a present value basis. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is the interest rate that the Company would pay to borrow funds to obtain an asset of a similar value to the right-of-use asset with a comparable security, economic environment, and term.

The right-of-use asset is included within "Right-of-use assets" and the lease liability is included in "Lease liability – current" and "Lease liability – non-current" within the condensed interim consolidated statement of financial position. Right-of-use assets are measured based upon a number of factors, including:

- the initial amount of the lease liability; and
- lease payments made at or before the commencement date.

Lease liabilities are measured as the present value of non-cancellable payments over the lease term, which may include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate (including inflation-linked payments);
- amounts expected to be payable by the lessee under residual value guarantees;
- exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option.

Where exercise of renewal or termination options is deemed reasonably certain, such assumptions are reflected in the valuation of the lease right-of-use asset and liability. The reasonably certain assessment is made at the lease commencement date and re-assessed if there is a material change in circumstances supporting the assessment.

Lease payments are apportioned between the liability and a finance charge, which is reported within "Interest expense" in the condensed interim consolidated statement of comprehensive income (or loss). The right-of-use

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asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis and presented within "Depreciation and amortization expense" in the condensed interim consolidated statement of comprehensive income (or loss).

The Company's only applicable lease is a property lease, for which fixed payments covering principal lease payments are included in the value of the right-of-use assets and lease liabilities. Non-lease components such as maintenance costs, property tax, and operating expenses are expensed as incurred within "General and administrative expenses" in the condensed interim consolidated statement of comprehensive income (or loss).

Payments for leases with a term of 12 months or less and low-value leases are recognized on a straight-line basis within "General and administrative expenses" in the condensed interim consolidated statement of comprehensive income (or loss) and are not recognized prior to accrual in the condensed interim consolidated statement of financial position.

#### *Lessor*

Lessor arrangements are classified as finance leases when substantially all of the risks and rewards of the underlying asset transfer to the lessee. A receivable, equal to the net investment in the lease, is recognized on the condensed interim consolidated statement of financial position at the commencement date with an offset to the underlying asset. The receivable is measured as the present value of non-cancellable payments to be received by the Company over the lease term. The payments are discounted using the interest rate implicit in the lease, if this can be readily determined, or at the Company's incremental borrowing rate, if the implicit rate cannot be determined. A gain or loss is recorded in "Other expenses (income), net" within the condensed interim consolidated statement of comprehensive income (or loss) for the difference between the carrying value of the underlying asset and the lease receivable. Lease payments are apportioned between the lease receivable and finance income, which is reported within "Income on finance lease receivable" in the condensed interim consolidated statement of comprehensive income (or loss).

When the Company retains the risks and rewards of the underlying asset, the arrangement is classified as an operating lease. Payments received under operating leases are recognized as income on a straight-line basis over the lease term. The carrying value of the underlying asset is retained on the condensed interim consolidated statement of financial position and amortized over the remaining term, determined as the shorter of the estimated useful life of the asset or the remaining lease term.

#### **4. REVERSE TAKE OVER TRANSACTION**

On September 17, 2018, the Company, formerly AIM2, completed its Qualifying Transaction, which was effected pursuant to an agreement between AIM2, CRC PrivateCo, and SubCo. After giving effect to the Consolidation, AIM2 had 361,372 Shares, 36,137 options, and 18,821 broker warrants issued and outstanding immediately prior to the closing of the Qualifying Transaction. Upon the completion of the Qualifying Transaction, the Company had 166,943,425 Shares and 29,966,626 options and warrants issued and outstanding, with the former CRC PrivateCo shareholders holding 166,582,053 Shares and the former CRC PrivateCo option holders and warrant holders holding 29,911,668 options and warrants (approximately 99.8% on a dilutive basis).

The Qualifying Transaction is a reverse acquisition of AIM2 and has been accounted for under IFRS 2. Accordingly, the Qualifying Transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of CRC PrivateCo to the shareholders, option holders, and warrant holders of AIM2. Consideration paid by the acquirer (CRC) is measured at the fair value of the equity issued to the shareholders, option holders and warrant holders of AIM2, which was estimated to be \$1,353 (361,372 shares at \$3.50 per share, and 36,137 options and 18,821 broker warrants measured using the Black-Scholes option pricing model), with the excess amount above the fair value of the net assets acquired treated as a listing expense in profit or loss. Transaction costs of \$773 occurred in connection with the Qualifying Transaction have been allocated between the listing expense and share issue costs incurred in conjunction with a concurrent equity raise by CRC PrivateCo.

#### **5. CASH AND RESTRICTED CASH**

As at March 31, 2019, the Company held \$12,000 that was classified as restricted cash. This represented the minimum cash balance required to be held by CRC pursuant to the PharmHouse Credit Agreement (as defined

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and described in Note 9(c)). During the nine months ended December 31, 2019, certain events occurred that reduced this requirement; accordingly, the Company has no restricted cash as at December 31, 2019.

**6. BROKERAGE PAYMENTS DEPOSIT**

On October 23, 2019, the Company entered a strategic alliance with Kindred Partners Inc. ("Kindred"), a Canadian specialty cannabis brokerage and services company. The strategic alliance provides the Company's licensed producer portfolio companies with access to Kindred's expertise and distribution channels in order to enhance their revenue-generating capabilities.

Under the terms of the strategic alliance agreement, the Company will arrange, on a best-efforts basis, for its licensed producer portfolio companies to enter into brokerage agreements with Kindred. Pursuant to the terms of the strategic alliance agreement, the Company is required to pay to Kindred specified amounts depending upon the Company's licensed producer portfolio companies meeting certain aggregate brokerage fee milestones as measured at the end of each calendar quarter. On a quarterly basis, the minimum aggregate brokerage fees that must be paid by the Company's portfolio companies to Kindred is \$750, with an annual minimum aggregate brokerage fee of \$3,000 for a two-year period. The difference, if any, between the actual brokerage fees paid by the Company's portfolio companies to Kindred and the applicable minimum aggregate brokerage fee is payable by the Company to Kindred (the "Brokerage Payments").

In connection with the agreement, the Company provided Kindred with a \$1,000 refundable deposit, which will be used to cover any required Brokerage Payments. If the minimum aggregate brokerage fees are met at the end of either the first or second year of the agreement, the entire deposit will be refunded to the Company. Upon initial recognition, the Company has recorded the deposit as an asset. At the end of each reporting period, the Company will assess whether the deposit is expected to be refunded.

In accordance with *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*, the Company has determined it has a possible obligation to fund the Brokerage Payments. Please refer to Note 16 for additional details.

**7. FINANCE LEASE RECEIVABLE**

In August 2017, the Company acquired a building located in New Brunswick, Canada. The building was leased to The Tweed Tree Lot Inc. ("Tweed Tree Lot"), formerly Spot Therapeutics Inc., a company licensed to cultivate cannabis under the Cannabis Act 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 December 31, 2019	As at March 31, 2019
Non-current finance lease receivable	\$ 2,751	\$ 2,695
<b>Total</b>	<b>\$ 2,751</b>	<b>\$ 2,695</b>

Scheduled collections of minimum monthly lease payments based on the contractual terms as at December 31, 2019, and March 31, 2019, are presented in the following schedules:

	As at December 31, 2019	
	Minimum Lease Payments	Applied to Principal
No later than one year	\$ 563	\$ (92)
Later than one year and not later than 5 years	2,514	(337)
Later than 5 years	10,439	3,180
	\$ 13,516	\$ 2,751
Less: Unearned finance income	(10,765)	-
Present value of minimum lease payments	\$ 2,751	\$ 2,751
Allowance for uncollectible lease payments	-	-
	<b>\$ 2,751</b>	<b>\$ 2,751</b>

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	As at March 31, 2019	
	Minimum Lease Payments	Applied to Principal
No later than one year	\$ 563	\$ (77)
Later than one year and not later than 5 years	2,426	(363)
Later than 5 years	10,949	3,135
	\$ 13,938	\$ 2,695
Less: Unearned finance income	(11,243)	-
Present value of minimum lease payments	\$ 2,695	\$ 2,695
Allowance for uncollectible lease payments	-	-
	<b>\$ 2,695</b>	<b>\$ 2,695</b>

The unguaranteed residual value of the building under lease is estimated to be \$2,609 (March 31, 2019 – \$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%.

Income on finance lease receivable of \$165 and \$492 (inclusive of management fee income) was recognized for the three and nine months ended December 31, 2019, respectively (three and nine months ended December 31, 2018 – \$161 and \$480, respectively). The finance lease receivable as at December 31, 2019, and March 31, 2019, is neither past due nor impaired.

Please refer to Note 10(k) for additional details on the Company's investment in Tweed Tree Lot.

## 8. LOANS RECEIVABLE

As at December 31, 2019, the Company has advanced \$40,000 of secured debt financing pursuant to a shareholder loan agreement with PharmHouse Inc. ("PharmHouse") (March 31, 2019 – \$40,000). The debt has a three-year term and an annual interest rate of 12%, with interest calculated monthly (effective as at the date principal is advanced) and payable quarterly after receipt of a licence to sell cannabis at PharmHouse's initial production and processing facility. Interest income of \$1,222 and \$3,653 was recognized for the three and nine months ended December 31, 2019, respectively (three and nine months ended December 31, 2018 – \$471). As at December 31, 2019, the Company has \$5,287 interest receivable relating to the Company's shareholder loan from PharmHouse (March 31, 2019 – \$1,634).

On December 27, 2019, the Company and 2615975 Ontario Limited (the "PharmHouse JV Partner") entered into a demand promissory note (the "Promissory Note") agreement to advance a principal amount of up to \$4,000 to PharmHouse. All amounts to be advanced to PharmHouse are on a pro rata basis in accordance with the equity ownership of each of the Company and the PharmHouse JV Partner. Concurrent with the execution of the Promissory Note, the Company made a pro rata advance under the Promissory Note agreement of \$1,470. The Promissory Note is non-interest bearing both before and after demand or default. Based on the terms of the Promissory Note, the Company has recognized the Promissory Note as a financial asset initially recorded at fair value and subsequently measured at amortized cost.

Please refer to Note 9(c) for additional details on the Company's investments in PharmHouse.

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**9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE**

Associates are entities over which the Company exercises significant influence. The Company assesses each instrument underlying its investments in associates and joint venture for appropriate accounting treatment.

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

Name and Classification of Associate or Joint Venture	Intended Principal Activity	Nature of Investment	Place of Principal Business	Method of Accounting	Note	Current Ownership Interest (Non-Diluted)
Radicle (Associate)	Vertically-integrated cannabis operations	Common shares	Canada	Equity method	9(a)	25% <sup>(i)</sup>
		Royalty interest		FVTPL	10(c)	
Civilized (Associate)	Media company and lifestyle brand	Convertible debenture	Canada	FVTPL	9(b) 10(e)	0% <sup>(ii)</sup>
		Warrants		FVTPL	10(e)	
PharmHouse (Joint Venture)	Vertically-integrated cannabis operations	Common shares	Canada	Equity method	9(c)	49% <sup>(iii)</sup>
		Shareholder loan		Amortized cost	8	
		Promissory note		Amortized cost	8	
Canapar (Associate)	Hemp cultivation and CBD extraction	Common shares	Italy	Equity method	9(d)	49% <sup>(iv)</sup>
		Call option		FVTPL	10(f)	
Greenhouse Juice (Associate)	Plant-based beverage production and distribution	Convertible debentures	Canada	FVTPL	9(e) 10(g)	0% <sup>(v)</sup>
		Warrants		FVTPL	10(g)	
Herbert (Associate)	Adult-use cannabis beverage and edible production and distribution	Preferred shares	Canada	Equity method	9(f)	27% <sup>(vi)</sup>
		Warrant		FVTPL	10(h)	
LeafLink Intl. (Associate)	B2B supply chain and marketplace technology platform	Common shares	Canada	Equity method	9(g)	18% <sup>(vii)</sup>
High Beauty (Associate)	Cannabis beauty products production and distribution	Preferred shares	United States	Equity method	9(h)	21% <sup>(viii)</sup>
		Convertible promissory note		FVTPL	10(i)	
		Warrants		FVTPL	10(i)	

(i) The Company owns 23% of the equity of Radicle on a fully diluted basis and has the right to designate 20% of the director nominees.

(ii) As at December 31, 2019, the Company does not hold any voting shares in Civilized. The Company has provided debt financing in the form of a convertible debenture and holds warrants in Civilized that together, if exercised, represent approximately 26% of the equity of Civilized on a fully diluted basis. Additionally, the Company has the right to designate 20% of the director nominees.

(iii) The Company owns 49% of the equity of PharmHouse on a fully diluted basis and has the right to designate 40% of the director nominees.

(iv) The Company owns 47% of the equity of Canapar Corp. on a fully diluted basis. Canapar Corp. is a private company incorporated in Canada that owns 100% of the issued and outstanding common shares of Canapar SrL, an Italian entity. Additionally, the Company has the right to designate one nominee to Canapar Corp.'s three-member board of directors; the Company's nomination right increases to two nominees in the event that the number of members of Canapar Corp.'s board of directors increases above five members.

(v) As at December 31, 2019, the Company does not hold any voting shares in Greenhouse Juice. The Company has provided debt financing in the form of a convertible debenture and holds warrants in Greenhouse Juice that together, if exercised, represent approximately 25% of the equity of Greenhouse Juice on a fully diluted basis (excluding the control warrant, discussed below). Additionally, the Company has the right to designate 20% of the director nominees.

(vi) The Company owns 23% of the equity of Herbert on a fully diluted basis (excluding the control warrant, discussed below) and has the right to designate 20% of the director nominees.

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- (vii) The Company owns 18% of the equity of LeafLink Intl. on a fully diluted basis and has the right to designate 33% of the director nominees.
- (viii) The Company owns 22% of the equity of High Beauty on a fully diluted basis and has the right to designate 20% of the director nominees.

As identified above, only certain investments in associates are accounted for using the equity method. The following tables outline changes in the Company's equity method investees for the nine months ended December 31, 2019, and the twelve months ended March 31, 2019.

Entity	Balance at April 1, 2019	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Balance at December 31, 2019
Radicle	\$ 3,472	\$ -	\$ 6	\$ -	\$ -	\$ 3,478
PharmHouse	39,278	-	(1,238)	-	-	38,040
Canapar	18,062	-	(1,092)	-	-	16,970
Herbert	1,406	-	(113)	-	-	1,293
LeafLink Intl.	2,673	-	(120)	-	(35)	2,518
High Beauty	-	2,867	(400)	-	(67)	2,400
<b>Total</b>	<b>\$ 64,891</b>	<b>\$ 2,867</b>	<b>\$ (2,957)</b>	<b>\$ -</b>	<b>\$ (102)</b>	<b>\$ 64,699</b>

Entity	Balance at April 1, 2018	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Balance at March 31, 2019
Radicle	\$ 4,754	\$ -	\$ (1,124)	\$ (158)	\$ -	\$ 3,472
PharmHouse	-	40,231	(953)	-	-	39,278
Canapar	-	18,150	(88)	-	-	18,062
Herbert	-	1,406	-	-	-	1,406
Leaflink Intl.	-	2,638	-	-	35	2,673
<b>Total</b>	<b>\$ 4,754</b>	<b>\$ 62,425</b>	<b>\$ (2,165)</b>	<b>\$ (158)</b>	<b>\$ 35</b>	<b>\$ 64,891</b>

The summarized financial information set out below 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 amounts presented account for any significant transactions that have occurred since the indicated reporting period end.

**As at and for the nine months ended December 31, 2019**

Entity	Applicable reporting period	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Income / (loss)
Radicle	Sept. 30, 2019	\$ 4,971	\$ 10,203	\$ 926	\$ 8,820	\$ 5,980	\$ 399
PharmHouse	Sept. 30, 2019	5,769	151,990	45,735	94,048	-	(2,594)
Canapar	Sept. 30, 2019	20,751	5,314	1,680	-	-	(2,025)
Herbert	Sept. 30, 2019	1,250	142	74	-	-	(422)
LeafLink Intl.	Sept. 30, 2019	2,019	11,869	40	-	2	(658)
High Beauty	Sept. 30, 2019	1,583	424	277	-	83	(1,930)

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**As at and for the twelve months ended March 31, 2019**

Entity	Applicable reporting period	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Income / (loss)
Radicle	Dec. 31, 2018	\$ 8,100	\$ 8,495	\$ 648	\$ 6,106	\$ 1,126	\$ (4,616)
PharmHouse	Dec. 31, 2018	11,815	50,754	4,514	40,000	-	(1,944)
Canapar	Dec. 31, 2018	14,300	4,405	14	-	-	(200)
Herbert	n/a	1,500	-	-	-	-	-
LeafLink Intl	n/a	2,638	-	-	-	-	-

In addition to the summarized financial information above, the information set out below represents additional information shown in the Company's joint venture's financial statements.

**As at and for the nine months ended December 31, 2019**

Entity	Applicable reporting period	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Dep. / amort.	Interest income	Interest expense	Income tax expense / (recovery)
Pharm-House	Sept. 30, 2019	\$ 4,676	\$ 30,828	\$ 94,048	\$ 80	\$ 25	\$ -	\$ -

The Company assessed its investments in associates and joint venture for indicators of impairment as at December 31, 2019, and March 31, 2019, and determined that no such indicators were present.

**INVESTMENTS HELD AS AT MARCH 31, 2019**
**a) Radicle**

Radicle Medical Marijuana Inc., a wholly-owned subsidiary of Radicle Cannabis Holdings Inc. (together, "Radicle"), is a company licensed to cultivate, process, and sell cannabis and cannabis oils under the Cannabis Act.

As at December 31, 2019, the Company owned 17,588,424 common shares of Radicle (March 31, 2019 – 17,588,424 common shares), representing a 25% equity interest on a non-diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of Radicle's net income/(loss) in the amount of \$387 and \$6, respectively (three and nine months ended December 31, 2018 – \$(451) and \$(716), respectively).

Please refer to Notes 10(c) and 18 for additional details on the Company's investment in Radicle.

**b) Civilized**

Civilized Worldwide Inc. ("Civilized") is a modern media company and lifestyle brand focused on elevating cannabis culture.

As at March 31, 2019, the Company had advanced \$5,000 to Civilized pursuant to a convertible debenture agreement and held common share purchase warrants in Civilized. On April 9, 2019, the Company and Civilized amended the terms of the convertible debenture agreement. As a result of the agreed upon amendments, among other things, the date upon which interest accrued pursuant to the debenture becomes payable was extended and the conversion price decreased.

On October 28, 2019, the Company and Civilized entered into a second amendment to the terms of the convertible debenture agreement. As a result of the agreed upon amendments, among other things, the Company advanced an additional \$120 to Civilized. Accordingly, as at December 31, 2019, the principal amount



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advanced to Civilized pursuant to the convertible debenture was \$5,120 (March 31, 2019 – \$5,000) and was convertible into 467,580 class A common shares of Civilized (March 31, 2019 – 397,227 class A common shares). Both the convertible debenture and warrants are currently exercisable and, if exercised, would together represent approximately 26% of the equity of Civilized on a fully diluted basis as at December 31, 2019.

The convertible debenture and warrants are accounted for at FVTPL. Please refer to Note 10(e) for additional details on the Company's investment in Civilized.

**c) PharmHouse**

PharmHouse, a joint venture between the Company and the PharmHouse JV Partner, is a company licensed to cultivate cannabis under the Cannabis Act.

As at December 31, 2019, the Company owned 10,998,660 common shares of PharmHouse (March 31, 2019 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of PharmHouse's net loss in the amount of \$543 and \$1,238, respectively (three and nine months ended December 31, 2018 – \$87). For the three and nine months ended December 31, 2019, the Company did not receive any distributions from PharmHouse (three and nine months ended December 31, 2018 – \$nil).

As at December 31, 2019, the Company had also advanced additional capital to PharmHouse in the form of a shareholder loan and a promissory note. Please refer to Note 8 for additional details on the Company's investments in PharmHouse.

As at December 31, 2019, PharmHouse had entered a syndicated credit agreement (the "PharmHouse Credit Agreement") with a number of Canadian banks to provide PharmHouse with a committed, non-revolving credit facility with a maximum principal amount of \$80,000 (the "PharmHouse Credit Facility"). The obligations of PharmHouse under the PharmHouse Credit Facility are secured by guarantees of the Company and CRC, and a pledge by CRC of all of the shares of PharmHouse held by it. The PharmHouse Credit Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company.

**d) Canapar**

Canapar Corp. ("Canapar"), through its wholly-owned subsidiary, Canapar SrL ("Canapar Italy"), is a company focused on hemp cultivation and extraction in Italy.

As at December 31, 2019, the Company owned 29,833,333 common shares of Canapar (March 31, 2019 – 29,833,333), representing a 49% equity interest on a non-diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of Canapar's net loss in the amount of \$833 and \$1,092, respectively (three and nine months ended December 31, 2018 – \$27). For the three and nine months ended December 31, 2019, the Company did not receive any distributions from Canapar (three and nine months ended December 31, 2018 – \$nil).

The Company also owns a call option to purchase 100% of Canapar's interest in its investees. The call option is accounted for at FVTPL. Please refer to Note 10(f) for additional details on the Company's investment in Canapar.

**e) Greenhouse Juice Company**

Greenhouse Juice Company, legally 10831425 Canada Ltd. ("Greenhouse Juice"), is an organic, plant-based beverage producer and distributor.

On January 14, 2019, the Company advanced \$6,000 to Greenhouse Juice pursuant to a senior secured convertible debenture agreement (the "Greenhouse Secured Debenture"). As part of the investment, the Company also committed to invest an additional \$3,000 in Greenhouse Juice pursuant to an unsecured convertible debenture agreement (the "Greenhouse Unsecured Debenture") and received preferred share purchase warrants and a control warrant. The Company is required to exercise \$3,000 in preferred share purchase warrants upon achievement of future revenue targets.

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On May 1, 2019, the Company advanced \$3,000 to Greenhouse Juice pursuant to the Greenhouse Unsecured Debenture.

Accordingly, as at December 31, 2019, the Company had advanced \$6,000 to Greenhouse Juice pursuant to the Greenhouse Secured Debenture (March 31, 2019 – \$6,000) and \$3,000 to Greenhouse Juice pursuant to the Greenhouse Unsecured Debenture (March 31, 2019 – \$nil). The Greenhouse Secured Debenture, Greenhouse Unsecured Debenture, and warrants are currently exercisable and, if exercised, would together represent approximately 25% of the equity of Greenhouse Juice on a fully diluted basis as at December 31, 2019. In connection with its original investment in Greenhouse Juice, the Company also owns an additional control warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51%.

The Greenhouse Secured Debenture, Greenhouse Unsecured Debenture, and warrants are accounted for at FVTPL. Please refer to Note 10(g) for additional details on the Company's investment in Greenhouse Juice.

**f) Herbert**

Herbert Works, legally 10663522 Canada Inc. ("Herbert"), an early-stage brand platform focusing on the adult-use cannabis beverage market, is a company licensed to conduct research and development activities under the Cannabis Act. Herbert's intention is for its core beverage offering to focus primarily around tetrahydrocannabinol ("THC") infused products designed for distribution within Canada.

As at December 31, 2019, the Company owned 4,074,074 preferred shares of Herbert (March 31, 2019 – 4,074,074), representing a 27% equity interest on a non-diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of Herbert's net loss in the amount of \$48 and \$113, respectively (three and nine months ended December 31, 2018 – \$nil). For the three and nine months ended December 31, 2019, the Company did not receive any distributions from Herbert (three and nine months ended December 31, 2018 – \$nil).

The Company also owns a warrant that, if exercised, would increase its ownership interest in Herbert to 51%. The warrant is accounted for at FVTPL. Please refer to Note 10(h) for additional details on the Company's investment in Herbert.

**g) LeafLink Intl.**

LeafLink Services International ULC ("LeafLink Intl.") is a venture that exclusively licenses business-to-business ("B2B") marketplace and supply chain technology from LeafLink Inc., a U.S.-based company, for deployment throughout regulated international cannabis markets (i.e. excluding the U.S.).

As at December 31, 2019, the Company owned 2,000,000 common shares of LeafLink Intl. (March 31, 2019 – 2,000,000), representing an 18% equity interest on a non-diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of LeafLink Intl.'s net loss in the amount of \$60 and \$120, respectively (three and nine months ended December 31, 2018 – \$nil). For the three and nine months ended December 31, 2019, the Company did not receive any distributions from LeafLink Intl. (three and nine months ended December 31, 2018 – \$nil).

**NEW INVESTMENTS SUBSEQUENT TO MARCH 31, 2019****h) High Beauty**

High Beauty Inc. ("High Beauty") is the creator of the cannabis beauty brand *high*. *high* is formulated using cannabis sativa seed oil, which is free of psychoactive substances including THC and cannabidiol ("CBD"), in combination with certified organic plant oils, high potency antioxidants, and pure plant essential oils. High Beauty's current facial products include a facial cleansing foam oil and facial moisturizer, and the company has distribution partnerships in Canada, the U.S. and the European Union, including with Sephora, Urban Outfitters, Amazon, Douglas, and the SkinStore.

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On April 2, 2019, the Company acquired 2,500,000 preferred shares of High Beauty at a price of \$1.33 per preferred share (U.S. \$1.00) for a total investment of \$3,335 (U.S. \$2,500). As part of the investment, the Company received a warrant to purchase 500,000 preferred shares of High Beauty at a price of U.S. \$0.01 per share. In connection with the investment, the Company also has the right to designate 20% of the nominees to High Beauty's board of directors.

On December 3, 2019, the Company advanced an additional \$1,009 (U.S. \$750) to High Beauty pursuant to a senior secured convertible promissory note and received additional warrants to purchase preferred shares. The convertible promissory note bears interest at an initial rate of 8% per annum, compounded annually, and is convertible into preferred equity of High Beauty at maturity. In the event of a qualified financing achievement before the maturity date, the outstanding principal amount and any accrued interest shall automatically convert in whole into preferred equity of High Beauty following the qualified financing. The additional warrants have a total exercise value of \$151 (U.S. \$113) at an exercise price per share equal to the price per share paid by other investors in High Beauty's next financing.

As at December 31, 2019, the Company's investments in High Beauty, taken together, represented a 22% equity interest on a fully diluted basis.

For the three and nine months ended December 31, 2019, the Company recognized its share of High Beauty's net loss in the amount of \$210 and \$400, respectively (three and nine months ended December 31, 2018 – \$nil). For the three and nine months ended December 31, 2019, the Company did not receive any distributions from High Beauty (three and nine months ended December 31, 2018 – \$nil).

The convertible promissory note and warrants are accounted for at FVTPL. Please refer to Note 10(i) for additional details on the Company's investment in High Beauty.

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**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The following tables outline changes in financial assets measured at FVTPL for the nine months ended December 31, 2019, and twelve months ended March 31, 2019.

Entity	Instrument	Note	Balance at Mar. 31, 2019	Addi- tions	Net change in fair value	Disposi- tions	Balance at Dec. 31, 2019	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Royalty interest	10(a)	\$ 10,255	\$ 8,000	\$ 107	\$ -	\$ 18,362	\$ 2,735	\$ 2,216
Agripharm	Warrants	10(a)	461	-	(252)	-	209	-	-
JWC	Royalty interest	10(b)	2,644	-	(14)	-	2,630	366	122
JWC	Warrants	10(b)	824	-	(555)	(269)	-	-	-
Radicle	Royalty interest	10(c)	5,064	-	(26)	-	5,038	666	446
Vert Mirabel	Preferred shares	10(d)	16,994	-	2,620	-	19,614	-	-
Civilized <sup>(1)</sup>	Convertible debenture	10(e)	4,250	120	(921)	-	3,449	-	-
Civilized	Warrants	10(e)	760	-	(760)	-	-	-	-
Canapar	Call option	10(f)	7,500	-	(1,500)	-	6,000	-	-
Greenhouse Juice	Secured convertible debenture	10(g)	5,853	-	1,907	-	7,760	572	722
Greenhouse Juice	Unsecured convertible debenture	10(g)	-	3,000	15	-	3,015	-	-
Greenhouse Juice	Warrants	10(g)	-	-	190	-	190	-	-
Herbert	Warrant	10(h)	100	-	(66)	-	34	-	-
High Beauty	Convertible promissory note	10(i)	-	982	(34)	-	948	-	-
High Beauty	Warrants	10(i)	-	495	64	-	559	-	-
BioLumic	Convertible promissory note	10(j)	-	2,024	70	-	2,094	-	-
Tweed Tree Lot	Royalty interest	10(k)	-	13,500	(9)	-	13,491	652	652
TerrAscend Canada	Term Loan	10(l)	-	12,982	(1,012)	-	11,970	197	197
TerrAscend	Warrants II	10(l)	-	261	(143)	-	118	-	-
<b>Total</b>			<b>\$ 54,705</b>	<b>\$41,364</b>	<b>\$ (319)</b>	<b>\$ (269)</b>	<b>\$ 95,481</b>	<b>\$ 5,188</b>	<b>\$ 4,355</b>

(1) Pursuant to the amended Civilized agreement discussed in Note 10(e), it is now expected that the convertible debenture interest receivable will not be recovered until maturity or conversion. The Company no longer recognizes interest receivable on the instrument, which was reported at \$629 as at March 31, 2019. The impact of this new estimate is included in the net change in fair value captured above.

Included in interest and royalty receivable on the condensed interim consolidated statement of financial position as at December 31, 2019, is \$5,287 relating to the Company's shareholder loan with PharmHouse and \$91 relating to the Company's interest receivable from cash deposits held.

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Entity	Instrument	Note	Balance at Mar. 31, 2018	Addi- tions	Net change in fair value	Reclass./ derecog- nition	Balance at Mar. 31, 2019	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Royalty interest	10(a)	\$ 2,326	\$ 9,000	\$ (1,071)	\$ -	\$ 10,255	\$ 818	\$ 93
Agripharm	Warrants	10(a)	447	-	14	-	461	-	-
JWC	Royalty interest	10(b)	2,662	-	(18)	-	2,644	488	122
JWC	Warrants	10(b)	813	177	(166)	-	824	-	-
Radicle	Royalty interest	10(c)	3,075	2,000	(11)	-	5,064	507	241
TerrAscend	Warrants		37,577	-	18,236	(55,813)	-	-	-
Vert Mirabel	Preferred shares	10(d)	5,198	8,897	2,899	-	16,994	-	-
Civilized	Convertible debenture	10(e)	-	3,741	509	-	4,250	629	629
Civilized	Warrants	10(e)	-	1,259	(499)	-	760	-	-
Canapar	Call option	10(f)	-	-	7,500	-	7,500	-	-
Greenhouse Juice	Convertible debenture/ warrants	10(g)	-	6,000	(147)	-	5,853	150	150
Herbert	Warrant	10(h)	-	94	6	-	100	-	-
Eureka <sup>(i)</sup>	Common shares	11(d)	-	-	2,275	(2,275)	-	-	-
YSS <sup>(i)</sup>	Common shares	11(e)	-	-	6,192	(6,192)	-	-	-
<b>Total</b>			<b>\$ 52,098</b>	<b>\$ 31,168</b>	<b>\$ 35,719</b>	<b>\$ (64,280)</b>	<b>\$ 54,705</b>	<b>\$ 2,592</b>	<b>\$ 1,235</b>

(i) Gains upon initial recognition of \$2,275 and \$6,192 related to the Company's investments in Eureka common shares and YSS common shares, respectively, are classified as net changes in fair value of financial assets at FVTPL, irrespective of the election to subsequently measure these investments at FVTOCI.

**INVESTMENTS HELD AS AT MARCH 31, 2019**
**a) Agripharm**

Agripharm Corp. ("Agripharm"), which is 40% owned by CGC, is a company licensed to cultivate and process cannabis under the Cannabis Act.

As at December 31, 2019, the Company had advanced \$17,000 to Agripharm pursuant to a repayable debenture agreement and \$3,000 pursuant to a royalty agreement (March 31, 2019 – \$9,000 and \$3,000, respectively). Of the \$17,000 advanced to Agripharm pursuant to the repayable debenture agreement, \$9,000 automatically converted to a royalty interest on December 1, 2018, and an additional \$8,000 automatically converted to a royalty interest on December 1, 2019, in accordance with the terms of the agreements.

Accordingly, after considering the amounts drawn pursuant to the royalty agreement and the amounts drawn pursuant to the repayable debenture agreement that subsequently converted to a royalty interest, as at December 31, 2019, the Company had advanced \$20,000 to Agripharm that was subject to the royalty agreement and \$nil that was subject to the repayable debenture agreement (March 31, 2019 – \$12,000 and \$nil, respectively). Under the terms of the royalty agreement, the Company will receive a royalty per gram of applicable Agripharm cannabis production for a term of 20 years, subject to a minimum annual payment of 20% of the principal amount drawn that is subject to the royalty agreement.

The royalty interest is 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 December 31, 2019, the fair

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value of the royalty interest was estimated to be \$18,362 (March 31, 2019 – \$10,255). Please refer to Note 15 for additional details.

Royalty and interest income of \$2,214 and \$2,735 was recognized for the three and nine months ended December 31, 2019 related to the Agripharm royalty interest and repayable debenture, which subsequently converted to a further royalty interest (three and nine months ended December 31, 2018 – \$373 and \$725, respectively). As at December 31, 2019, the Company had \$2,216 royalty and interest receivable from Agripharm (March 31, 2019 – \$504).

As at December 31, 2019, the Company also owned 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 at December 31, 2019, the fair value of the warrant was estimated to be \$209 (March 31, 2019 – \$461). The fair value of the warrant was estimated using a Black-Scholes option pricing model by applying the following assumptions:

<b>Agripharm Warrant Valuation</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$32.88	\$33.56	\$33.56
Exercise price	\$53.51	\$53.51	\$53.51
Risk-free interest rate	1.4%	1.6%	1.7%
Expected life (years)	1.5	0.8	0.4
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	82%	79%

**b) JWC**

James E. Wagner Cultivation Corporation (“JWC”) is a publicly-traded company with a wholly-owned subsidiary that is licensed to cultivate, process, and sell cannabis, cannabis oils and cannabis extracts, edibles, and topicals under the Cannabis Act. JWC is listed on the TSXV under the trading symbol “JWCA”.

As at December 31, 2019, the Company had advanced \$2,500 to a wholly-owned subsidiary of JWC pursuant to a royalty agreement (March 31, 2019 – \$2,500). Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum annual payment of \$488. 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 December 31, 2019, the fair value of the royalty interest was estimated to be \$2,630 (March 31, 2019 – \$2,644). Please refer to Note 15 for additional details.

Royalty income of \$122 and \$366 was recognized for the three and nine months ended December 31, 2019 (three and nine months ended December 31, 2018 – \$122 and \$366, respectively). As at December 31, 2019, the Company had \$122 royalty receivable from JWC (March 31, 2019 – \$122).

On August 9, 2019, the Company exercised 1,347,826 common share purchase warrants of JWC for an aggregate purchase price of \$620. Accordingly, as at December 31, 2019, the Company owned 13,860,867 common shares of JWC (March 31, 2019 – 12,513,041). The Company has elected to account for its investment in the common shares of JWC at FVTOCI at initial recognition. Please refer to Notes 11(a) and 15 for additional details.

As at December 31, 2019, the Company also owned 1,000,000 common share purchase warrants of JWC (March 31, 2019 – 2,347,826), after giving effect to the warrant exercise described above. The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at December 31, 2019, the warrants were estimated to have a nominal value (March 31, 2019 – \$824). The fair value of the warrants was estimated using the Black-Scholes option pricing model by applying the following assumptions:

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<b>JWC Warrant Valuation</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$0.39	\$0.99	\$0.23
Exercise price	\$0.46	\$0.46-1.50	\$1.50
Risk-free interest rate	1.2%	1.6%	1.7%
Expected life (years)	1.0	0.2-0.6	0.2
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	45-78%	90%

**c) Radicle**

As at December 31, 2019, the Company had advanced \$5,000 to a wholly-owned subsidiary of Radicle pursuant to a royalty agreement (March 31, 2019 – \$5,000). Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum annual payment of \$900. 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 December 31, 2019, the fair value of the royalty interest was estimated to be \$5,038 (March 31, 2019 – \$5,064). Please refer to Note 15 for additional details.

Royalty income of \$252 and \$666 was recognized for the three and nine months ended December 31, 2019 (three and nine months ended December 31, 2018 – \$125 and \$266 royalty and interest income, respectively). As at December 31, 2019, the Company had \$446 royalty receivable from Radicle (March 31, 2019 – \$125).

**d) Vert Mirabel**

Les Serres Vert Cannabis (“Vert Mirabel”), which is 40% owned by CGC, is a company licensed to cultivate cannabis under the Cannabis Act.

As at December 31, 2019, the Company had subscribed for 15,000,000 class A preferred shares of Vert Mirabel (March 31, 2019 – 15,000,000) at \$1.00 per share, for a total investment of \$15,000 (March 31, 2019 – \$15,000), with an ascribed cost of \$13,893 due to the off-market nature of the prescribed dividends. As at December 31, 2019, the fair value of the preferred shares was estimated to be \$19,614 (March 31, 2019 – \$16,994). Please refer to Note 15 for additional details.

As at December 31, 2019, the Company also owned 26% of the common shares of Vert Mirabel (March 31, 2019 – 26%). The Company has elected to account for its investment in the common shares of Vert Mirabel at FVTOCI at initial recognition. Please refer to Notes 11(c) and 15 for additional details.

**e) Civilized**

As described in Note 9(b), as at December 31, 2019, the Company had advanced \$5,120 to Civilized pursuant to a convertible debenture agreement (March 31, 2019 – \$5,000) and owned common share purchase warrants.

The total cost of the initial investment in Civilized of \$5,000 was bifurcated between the convertible debenture and the warrants. A calibrated FinCAD model and Monte Carlo simulation were used to estimate the initial fair value of the convertible debenture and a Black-Scholes option pricing model was used to estimate the initial fair value of the warrants. At initial recognition, \$3,741 was allocated to the convertible debenture and \$1,259 was allocated to the warrants.

Per the terms of the original 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, and the debenture was convertible into 397,227 class A common shares of Civilized. On April 4, 2019, the Company and Civilized effected an amendment to the terms of the convertible debenture agreement. Among other things, interest payments were amended to only become payable on the two-year anniversary of the closing date of the investment and the number of shares to be received upon conversion was increased to 456,812.

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As described in Note 9(b), on October 28, 2019, the Company advanced an additional \$120 to Civilized pursuant to a second amendment to the terms of the convertible debenture agreement. In connection with this amendment, the number of shares to be received upon conversion of the principal amount was increased to 467,580.

The convertible debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. The Company estimates the fair value of the convertible debenture based upon estimated future cash flows to be received under the convertible debenture agreement discounted to present value using an interest rate of 14%, a discount rate of 50%, and a probability adjustment of 40%. As at December 31, 2019, the fair value of the convertible debenture was estimated to be \$3,449 (March 31, 2019 – \$4,250). Please refer to Note 15 for additional details.

As at December 31, 2019, the Company owned 221,239 common share purchase warrants of Civilized (March 31, 2019 – 221,239). The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at December 31, 2019, the warrants were estimated to have a nominal value (March 31, 2019 – \$760).

**f) Canapar**

As described in Note 9(d), as part of the Company's investment in Canapar, the Company received a call option to purchase 100% of Canapar's interest in its investees. The consideration to be paid upon the exercise of the call option shall be the greater of: (i) eight times EBITDA; and (ii) \$200,000, less the liabilities of the acquired investees, multiplied by the percentage interest that the Company does not own in Canapar at the time of exercise. The option is exercisable for as long as the Company is a shareholder of Canapar.

The call option represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at December 31, 2019, the fair value of the call option was estimated to be \$6,000 (March 31, 2019 – \$7,500). The fair value of the call option was estimated through a simulation model based on the following assumptions (please refer to Note 15 for additional details):

Canapar Call Option Valuation	March 31, 2019	December 31, 2019
Expected life	5 years	5.7 years
Equity value per share	\$0.90	\$0.90
Equity value volatility	70%	70%
EBITDA volatility	30%	30%
CAD/EUR volatility	9%	9%

**g) Greenhouse Juice Company**

As described in Note 9(e), as at December 31, 2019, the Company had advanced \$6,000 to Greenhouse Juice pursuant to the Greenhouse Secured Debenture. As part of the investment, the Company also received preferred share purchase warrants in Greenhouse Juice, which the Company is required to exercise if certain conditions are met, as well as an additional warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51% (the control warrant).

Upon initial recognition, the total cost of the investment in Greenhouse of \$6,000 was allocated between the Greenhouse Secured Debenture and the warrants. A calibrated FinCAD model was used to determine the initial value of the Greenhouse Secured Debenture, and a Monte Carlo simulation and Black-Scholes option pricing model were used to value the warrants. At initial recognition, the fair value of the warrants was nominal; thus, the total cost of \$6,000 was allocated to the Greenhouse Secured Debenture.

The Greenhouse Secured Debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. As at December 31, 2019, the fair value of the Greenhouse Secured Debenture was estimated to be \$7,760 (March 31, 2019 – \$5,853). Please refer to Note 15 for additional details.

As at December 31, 2019, the Company owned 1,386,874 preferred share purchase warrants of Greenhouse Juice (March 31, 2019 – 1,386,874) and the control warrant described above. The preferred share purchase warrants and control warrant represent derivative financial instruments that are initially measured at fair value



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and are subsequently measured at FVTPL. As at December 31, 2019, the fair value of the warrants was estimated to be \$190 (March 31, 2019 – \$nil). Please refer to Note 15 for additional details.

As described in Note 9(e), on May 1, 2019, the Company advanced \$3,000 to Greenhouse Juice pursuant to the Greenhouse Unsecured Debenture. The Greenhouse Unsecured Debenture is non-interest bearing and has a maturity of one year from the date of advancement. Conversion is automatic based upon a fixed price per share using a graduating company valuation upon achieving certain revenue targets.

The Greenhouse Unsecured Debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. A discounted cash flow model is used to value the debenture component, and a Monte Carlo simulation model is used to determine the value of the embedded conversion feature based upon Greenhouse Juice reaching certain revenue targets. As at December 31, 2019, the fair value of the Greenhouse Unsecured Debenture was estimated to be \$3,015 (March 31, 2019 – \$nil). Please refer to Note 15 for additional details.

The fair values of the convertible debentures and warrants were determined using the following assumptions:

<b>Greenhouse Convertible Debentures and Warrants Valuation</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$1.03	\$1.03	\$1.51
Conversion price <sup>(1)</sup>	\$1.51	\$1.51	\$1.51
Risk-free interest rate	1.9%	1.9%	2.0%
Expected annualized volatility	40%	40%	40%
Implied credit spread	25%	25%	25%
Strike price 1	\$2.16	\$2.16	\$2.16
Strike price 2	\$6.49	\$6.49	\$6.49

<sup>(1)</sup> Conversion price of \$1.51 per share is applicable to the Greenhouse Secured Debenture. The conversion price for the Greenhouse Unsecured Debenture is variable based on the achievement of certain revenue targets.

**h) Herbert**

As described in Note 9(f), as at December 31, 2019, the Company owned a warrant that, if exercised, would increase its ownership interest in Herbert to 51%.

The control warrant represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at December 31, 2019, the fair value of the control warrant was estimated to be \$34 (March 31, 2019 – \$100). The fair value of the control warrant was estimated using the Black-Scholes option pricing model by applying the following assumptions (please refer to Note 15 for additional details):

<b>Herbert Warrant Valuation</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$0.37	\$0.37	\$0.37
Exercise price	\$3.97	\$3.97	\$3.97
Risk-free interest rate	1.9%	1.6%	1.7%
Expected life (years)	2.5	2.4	2.0
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%

**NEW INVESTMENTS SUBSEQUENT TO MARCH 31, 2019**

**i) High Beauty**

As described in Note 9(h), as part of the Company's initial investment in the preferred shares of High Beauty, the Company also received a warrant to purchase preferred shares. Upon initial recognition, the total cost of the initial investment in High Beauty of \$3,335 was bifurcated between the preferred shares and the warrant based on the relative fair value approach. The transaction price of \$1.10 per preferred share was used to

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estimate the initial value of the preferred shares and a Black-Scholes option pricing model was used to estimate the initial value of the warrant. At initial recognition, \$2,867 was allocated to the preferred shares and \$468 was allocated to the warrant.

As described in Note 9(h), on December 3, 2019, the Company advanced an additional \$1,009 (U.S. \$750) to High Beauty pursuant to a senior secured convertible promissory note and received additional warrants to purchase preferred shares. The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL, while the additional warrants represent a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL. Accordingly, upon initial recognition, the total cost of the additional investment in High Beauty of \$1,009 was bifurcated between the convertible promissory note and the warrants based on the relative fair value approach. A calibrated FinCAD model was used to determine the initial value of the convertible promissory note, and a Monte Carlo simulation and Black-Scholes option pricing model were used to value the additional warrants. At initial recognition, \$982 was allocated to the convertible promissory note and \$27 was allocated to the warrants.

As at December 31, 2019, the fair value of the convertible promissory note was estimated to be \$948 (March 31, 2019 – \$nil).

As at December 31, 2019, the fair value of the warrants, which includes the warrant from the Company's initial investment in High Beauty as well as the additional warrants from the Company's December 3, 2019 investment in High Beauty, was estimated to be \$559 (March 31, 2019 – \$nil).

The fair values of the convertible promissory note and warrants were determined using the following assumptions (please refer to Note 15 for additional details):

<b>High Beauty Original Warrant Valuation</b>	<b>Initial Recognition</b>	<b>December 31, 2019</b>
Share price	\$1.10	\$1.07
Exercise price	\$0.01	\$0.01
Risk-free interest rate	1.4%	1.7%
Expected life (years)	2.5	2.1
Dividend yield	0%	0%
Expected annualized volatility	70%	70%

<b>High Beauty Convertible Promissory Note and Additional Warrant Valuation</b>	<b>Initial Recognition</b>	<b>December 31, 2019</b>
Share price	\$1.10	\$1.07
Risk-free interest rate	1.6%	1.7%
Volatility	50%	50%
Implied credit spread	20%	20%
Probability of achievement	50%	50%

**j) BioLumic**

BioLumic Ltd. ("BioLumic") is an agricultural technology company based out of New Zealand that has created a sustainable ultraviolet ("UV") light crop yield enhancement technology. BioLumic's UV light technology activates natural mechanisms in seeds and seedlings to deliver long-term crop benefits, such as improved crop consistency, increased yield, drought tolerance, and pest and disease resistance. BioLumic has begun global trials in traditional and high value crops such as lettuce and strawberries and intends to use its UV light treatment technology to develop treatments for medical cannabis and hemp.

On April 26, 2019, the Company invested \$2,024 (U.S. \$1,500) in a two-year convertible promissory note of BioLumic. The convertible promissory note bears interest at a rate of 6% per annum, is compounded annually, and is convertible into common equity of BioLumic at maturity. In the event of a certain qualified financing achievement before the maturity date, the outstanding principal amount and any accrued interest shall automatically convert in whole into outstanding securities of BioLumic following the qualified financing. The convertible promissory note is convertible into a 9% equity interest on a fully diluted basis.

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The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. A discounted cash flow is used to value the promissory note and a calibrated Monte Carlo simulation model is used to determine the value of the conversion option. As at December 31, 2019, the fair value of the convertible promissory note was estimated to be \$2,094 (March 31, 2019 – \$nil). The fair value of the note was estimated using the following assumptions:

<b>BioLumic Convertible Promissory Note Valuation</b>	<b>Initial Recognition</b>	<b>December 31, 2019</b>
Share price	\$4.31	\$4.31
Conversion price	\$4.31	\$4.31
Risk-free interest rate	2.4%	1.6%
Expected annualized volatility	30%	33%
Timing of achievement 1	Apr. 19, 2020	Jun. 30, 2020
Implied credit spread	24%	24%
Probability of achievement 1	50%	50%
Timing of achievement 2	Oct. 19, 2020	Oct. 19, 2020
Probability of achievement 2	90%	90%

**k) Tweed Tree Lot**

On October 8, 2019, the Company advanced \$13,500 to Tweed Tree Lot pursuant to the terms of a repayable debenture agreement. The principal amount of the repayable debenture was immediately set-off against the purchase price of a royalty interest pursuant to the terms of a royalty agreement. Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced by Tweed Tree Lot for a term of 25 years, subject to a minimum annual payment of \$2,852. The advance reduced the Company's commitment to provide Tweed Tree Lot additional financing to \$nil.

The royalty interest is a financial asset initially recognized at fair value and subsequently 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 December 31, 2019, the fair value of the royalty interest was estimated to be \$13,491 (March 31, 2019 – \$nil). Please refer to Note 15 for additional details.

Royalty income of \$652 was recognized for the three and nine months ended December 31, 2019 (three and nine months ended December 31, 2018 – \$nil). As at December 31, 2019, the Company had \$652 royalty receivable from Tweed Tree Lot (March 31, 2019 – \$nil).

**l) TerrAscend Canada**

TerrAscend Canada Inc. ("TerrAscend Canada") is a wholly-owned subsidiary of TerrAscend Corp. (described in Note 11(b)). TerrAscend Canada is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the Cannabis Act.

On October 2, 2019, the Company completed a \$13,243 (U.S. \$10,000) investment in TerrAscend Canada, structured as a convertible debenture with warrants. Subsequent to the closing of this agreement, the Company amended certain terms of the agreement. Per the amended terms of the agreement, the investment was structured to include three components, including a term loan with TerrAscend Canada and two sets of common share purchase warrants in TerrAscend. The term loan carries a principal amount of \$13,243 and bears interest at a rate of 6% per annum, payable on December 31 of each year beginning on December 31, 2020. The loan matures on the earlier of October 2, 2024 and the date that TerrAscend Warrants I (as defined herein) are exercised in full. The first set of common share purchase warrants ("TerrAscend Warrants I") are exercisable into 2,225,714 common shares of TerrAscend at an exercise price of \$5.95 per common share and the second set of common share purchase warrants ("TerrAscend Warrants II") are exercisable into 333,723 common shares of TerrAscend at an exercise price of \$6.49 per common share. The TerrAscend Warrants I and TerrAscend Warrants II are only exercisable following changes in applicable federal laws in the U.S. relating to cannabis and/or changes in the policies of the stock exchange(s) that are applicable to the Company with

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respect to cannabis-related activities (the "TerrAscend Triggering Event"). The TerrAscend Warrants I and TerrAscend Warrants II expire on October 2, 2024.

The term loan and TerrAscend Warrants I (herein collectively referred to as the "Term Loan") were entered into in contemplation of each other and determined to be linked transactions, as the exercise price of TerrAscend Warrants I may be applied against the settlement of the term loan. As the transactions are linked, they are treated as a combined instrument for the purpose of classification and measurement under IFRS 9. The Term Loan represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. TerrAscend Warrants II represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. Upon initial recognition, the total cost of the investment was allocated between the instruments. A Monte Carlo simulation model and a discounted cash flow model was used to estimate the initial value of the Term Loan, and a Black-Scholes option pricing model was used to estimate the initial value of TerrAscend Warrants II. At initial recognition, \$12,982 was allocated to the Term Loan and \$261 was allocated to TerrAscend Warrants II. As at December 31, 2019, the fair value of the Term Loan was estimated to be \$11,970 (March 31, 2019 – \$nil) and the fair value of TerrAscend Warrants II was estimated to be \$118 (March 31, 2019 – \$nil).

The fair value of the TerrAscend Warrants II was estimated using the Black-Scholes option pricing model by applying the following assumptions (please refer to Note 15 for additional details):

<b>TerrAscend Warrants II Valuation</b>	<b>Initial Recognition</b>	<b>December 31, 2019</b>
Share price	\$4.98	\$2.84
Risk-free interest rate	1.7%	2.1%
Timing of TerrAscend Triggering Event	Multiple probability curves	Multiple probability curves
Implied credit spread (avg.)	8.5%	8.5%
Dividend yield	0%	0%
Expected annualized volatility	80%	80%

Interest income of \$197 relating to the Term Loan was recognized for the three and nine months ended December 31, 2019 (three and nine months ended December 31, 2018 – \$nil). As at December 31, 2019, the Company has \$197 interest receivable from TerrAscend Canada (March 31, 2019 – \$nil).

**11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

In accordance with IFRS 9, 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 15. Please refer below for further details on these investments.

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The following tables outline changes in financial assets measured at FVTOCI for the nine months ended December 31, 2019, and for the twelve months ended March 31, 2019:

Entity	Instrument	Note	Balance at Mar. 31, 2019	Additions	Net change in fair value	Dispositions	Balance at Dec. 31, 2019
JWC	Common shares	11(a)	\$ 12,389	\$ 890	\$ (10,089)	\$ -	\$ 3,190
TerrAscend	Exchangeable Shares	11(b)	80,000	-	(51,000)	-	29,000
Vert Mirabel	Common shares	11(c)	34,486	-	(14,498)	-	19,988
Eureka	Common shares	11(d)	2,170	-	(1,872)	(150)	148
YSS	Common shares	11(e)	4,244	-	(2,449)	-	1,795
Headset	Preferred shares	11(f)	4,009	194	(118)	-	4,085
ZeaKal	Preferred shares	11(g)	-	13,487	(501)	-	12,986
<b>Total</b>			<b>\$ 137,298</b>	<b>\$ 14,571</b>	<b>\$ (80,527)</b>	<b>\$ (150)</b>	<b>\$ 71,192</b>

Entity	Instrument	Note	Balance at Mar. 31, 2018	Additions	Net change in fair value	Reclass./ derecognition	Balance at Mar. 31, 2019
JWC	Common shares	11(a)	\$ 10,591	\$ 2,123	\$ (325)	\$ -	\$ 12,389
TerrAscend	Common shares	11(b)	56,427	55,813	20,767	(133,007)	-
TerrAscend	Exchangeable Shares	11(b)	-	133,007	(53,007)	-	80,000
Vert Mirabel	Common shares	11(c)	35,817	-	(1,331)	-	34,486
Eureka	Common shares	11(d)	-	2,525	(355)	-	2,170
YSS	Common shares	11(e)	-	9,457	(5,213)	-	4,244
Headset	Preferred shares	11(f)	-	4,085	(76)	-	4,009
<b>Total</b>			<b>\$ 102,835</b>	<b>\$ 207,010</b>	<b>\$ (39,540)</b>	<b>\$ (133,007)</b>	<b>\$ 137,298</b>

**INVESTMENTS HELD AS AT MARCH 31, 2019**
**(a) JWC**

As described in Note 10(b), as at December 31, 2019, the Company owned 13,860,867 common shares of JWC (March 31, 2019 – 12,513,041), representing a 13% equity interest on a fully diluted basis. As at December 31, 2019, the fair value of the Company's investment in JWC common shares was estimated to be \$3,190 (March 31, 2019 – \$12,389). Please refer to Note 15 for additional details.

**(b) TerrAscend**

TerrAscend Corp. ("TerrAscend") is a publicly-traded company with a wholly-owned subsidiary that is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the

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Cannabis Act. TerrAscend is listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "TER", and on the OTCQX under the trading symbol "TRSSF".

As at December 31, 2019, the Company held 19,445,285 conditionally exchangeable shares in the capital of TerrAscend (the "Exchangeable Shares") (March 31, 2019 – 19,445,285). The Exchangeable Shares only become convertible into common shares of TerrAscend following the TerrAscend Triggering Event. The Exchangeable Shares are not transferable or monetizable until exchanged into common shares. In the interim, the Company will not be entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend.

As the Exchangeable Shares are not tradeable and hold no economic rights other than the possible opportunity to exchange such shares for common shares in TerrAscend at a future date upon the occurrence of certain events, the fair value of the Exchangeable Shares is estimated by giving consideration to the trading price of the TerrAscend common shares on the CSE on the valuation date and applying a discount for lack of marketability calculated using an Asian Put Option model, across a series of possible exchange dates. Management has made assumptions as to the probability that the TerrAscend Triggering Event would occur at future dates and estimated the fair value of the Exchangeable Shares as the sum of the probability-weighted discounted values across the range of these dates.

As at December 31, 2019, the fair value of the Company's investment in the Exchangeable Shares was estimated to be \$29,000 (March 31, 2019 – \$80,000). Please refer to Note 15 for additional details.

**(c) Vert Mirabel**

As at December 31, 2019, the Company owned 26% of the common shares of Vert Mirabel (March 31, 2019 – 26%). As at December 31, 2019, the fair value of the Company's investment in Vert Mirabel common shares was estimated to be \$19,988 (March 31, 2019 – \$34,486). Please refer to Note 15 for additional details.

**(d) Eureka**

Eureka 93 Inc. ("Eureka"), formerly LiveWell Canada Inc. ("LiveWell"), is a publicly-traded company licensed to cultivate cannabis under the Cannabis Act, listed on the CSE under the trading symbol "ERKA".

On April 11, 2019, LiveWell shareholders approved the amalgamation of LiveWell Canada Inc., Vitality CBD Natural Health Products Inc. and Mercal Capital Corp. This amalgamation became effective on April 24, 2019. The shareholders also approved a name change to "Eureka 93 Inc." and a consolidation of Eureka's issued and outstanding common and preferred shares on the basis of one post-consolidation share for each 15 pre-consolidation shares.

After giving effect to the share consolidation and taking into account the sale of 69,600 shares of Eureka for aggregate proceeds of \$150 during the three and nine months ended December 31, 2019, the Company owned 321,278 common shares of Eureka as at December 31, 2019 (March 31, 2019 – 390,879 (adjusted for the 15:1 share consolidation)), representing a less than 1% equity interest on a fully diluted basis. As at December 31, 2019, the fair value of the Company's investment in Eureka common shares was estimated to be \$148 (March 31, 2019 – \$2,170). Please refer to Note 15 for additional details.

On September 24, 2019, Eureka announced that it began a restructuring that involved the resignation of its entire leadership team and all but one of the directors on its board. Subsequently, a new board of directors and co-CEO have been appointed. As at December 31, 2019, trading of the common shares of Eureka on the CSE was temporarily suspended.

**(e) YSS**

YSS Corp.<sup>TM</sup> ("YSS") is a publicly-traded company listed on the TSXV under the trading symbol "YSS" and on the Frankfurt Stock Exchange under the trading symbol "WKN: A2PMAX". With retail operations under the YSS<sup>TM</sup> and Sweet Tree<sup>TM</sup> brands, YSS intends to grow a sustainable retail cannabis business in Western Canada and is exploring opportunities to develop a retail presence in Ontario.

On June 17, 2019, YSS effected a consolidation of the company's issued and outstanding common shares on the basis of one post-consolidation common share for each six pre-consolidation common shares.

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As at December 31, 2019, the Company owned 10,883,333 common shares of YSS (March 31, 2019 – 10,883,333 (adjusted for the 6:1 share consolidation)), representing a 7% equity interest on a fully diluted basis. As at December 31, 2019, the fair value of the Company's investment in YSS common shares was estimated to be \$1,795 (March 31, 2019 – \$4,244). Please refer to Note 15 for additional details.

**(f) Headset**

Headset Inc. ("Headset") is a real-time market intelligence and analytics software platform for the cannabis industry. With services that provide access to up-to-the-minute information on sales trends, emerging segments, popular products, and pricing, Headset's proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development.

On October 16, 2019, the Company completed a subscription for an additional 72,588 series A preferred shares of Headset at a price of \$2.67 (U.S. \$2.00) per preferred share, for a total investment of \$194 (U.S. \$145).

As at December 31, 2019, the Company owned 1,572,588 preferred shares of Headset (March 31, 2019 – 1,500,000), representing a 7% equity interest on a fully diluted basis. As at December 31, 2019, the fair value of the Company's investment in Headset preferred shares was estimated to be \$4,085 (U.S. \$3,146) (March 31, 2019 – \$4,009 (U.S. \$3,000)). Please refer to Note 15 for additional details.

**(g) ZeaKal**

ZeaKal, Inc. ("ZeaKal") is a California-based plant science company that has developed a novel plant genetics technology called PhotoSeed™. The PhotoSeed™ technology increases photosynthesis, improves plant yield, and enhances nutritional profiles. While ZeaKal's initial commercial focus has been on major row crops, it intends to apply the PhotoSeed™ technology to hemp.

On June 14, 2019, the Company acquired 248,473 preferred shares of ZeaKal at a price of \$54.28 per preferred share (U.S. \$40.25) for a total investment of \$13,487 (U.S. \$10,000), representing a 9% equity interest on a fully diluted basis.

As at December 31, 2019, the fair value of the Company's investment in ZeaKal preferred shares was estimated to be \$12,986 (U.S. \$10,000) (March 31, 2019 – \$nil). Please refer to Note 15 for additional details.

**12. SHARE CAPITAL****(a) Authorized**

The Company is authorized to issue an unlimited number of Shares. There are two classes of Shares: Multiple Voting Shares and Subordinated Voting Shares. Each Multiple Voting Share is entitled to receive 20 votes, while each Subordinated Voting Share is entitled to receive one 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.

Prior to the completion of the Qualifying Transaction described in Note 4, CRC PrivateCo had two classes of common shares: "Class A Shares" and "Class B Shares". Pursuant to the terms of the Qualifying Transaction, Class A shareholders received one Multiple Voting Share for each Class A Share held, and Class B shareholders received one Subordinated Voting Share for each Class B Share held upon completion of the Qualifying Transaction. Accordingly, the terms "Class A Shares" and "Multiple Voting Shares" may be used interchangeably, and the terms "Class B Shares" and "Subordinated Voting Shares" may be used interchangeably.

**(b) Issued and outstanding**

As at December 31, 2019, there were 36,468,318 Multiple Voting Shares and 152,653,798 Subordinated Voting Shares issued and outstanding.

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**Initial financing**

On May 12, 2017, CGC advanced \$20,000 in the form of a convertible debenture to CRC PrivateCo. Other investors advanced \$953 of seed capital to purchase 19,066,668 Class B Shares. Of this amount, \$503 representing 10,066,668 Class B Shares was paid for through share purchase loans, whereby funds were advanced to CRC PrivateCo by CGC on behalf of certain employees and a consultant of CGC. The Class B Shares acquired by each CGC employee and consultant through these share purchase loans have been placed in trust and vest in three equal tranches over three years if: (i) each person, individually, remains an employee or 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 CRC PrivateCo from the initial sale of the Class B Shares would be returned to CGC. Accordingly, the 10,066,668 Class B 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. During the three and nine months ended December 31, 2019, share purchase loans in the amount of \$2 and \$50, respectively, relating to the Shares held in trust by CGC on behalf of certain CGC employees were repaid. This resulted in the release from escrow of 38,890 and 999,998 Subordinated Voting Shares, respectively. As at December 31, 2019, share purchase loans relating to 7,227,774 of the original seed capital options have been repaid, resulting in the release from escrow of the same number of Subordinated Voting Shares (March 31, 2019 – 6,227,776). Please refer to Note 12(c) for additional details on the seed capital options.

Please refer to the Annual Financial Statements for details on the Company's other historical financings.

**Subsequent financings during the three and nine months ended December 31, 2019**

There were no financings during the three and nine months ended December 31, 2019.

**(c) Stock options**

The Company has a stock option plan (the "Plan") under which non-transferable options to purchase Subordinated Voting Shares of the Company may be granted to directors, officers, employees, or independent contractors of the Company. Pursuant to the Plan, the maximum number of Subordinated Voting Shares issuable from treasury pursuant to outstanding options shall not exceed 10% of the issued and outstanding Shares. The Plan is administered by the Board who establishes exercise prices, at not less than the market price at the date of the grant, and expiry dates. Options under the Plan generally remain exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and have expiry dates five years from the date of grant. The Board has the discretion to amend general vesting provisions and the term of any option grant, subject to limits contained in the Plan. The seed capital options are not within the scope of the Plan.

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value of options granted during the period and the fair value of options granted in prior periods that require remeasurement, 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 is estimated based upon zero coupon Government of Canada bond yields with a term approximately equal to the expected life of the options. Volatility is 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 option pricing 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.

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



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<b>Seed Capital Options</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$0.05	\$4.45	\$1.49
Exercise price	\$0.05	\$0.05	\$0.05
Risk-free interest rate	1.0%	1.6%	1.7%
Weighted average expected life (years)	2.7	0.2 – 1.2	0.5
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%
Expected forfeiture rate	0%	0%	0%

During the three and nine months ended December 31, 2019, 38,890 and 999,998 seed capital options were exercised, respectively (three and nine months ended December 31, 2018 – 5,750,000).

During the three and nine months ended December 31, 2019, the Company recorded \$194 and \$1,549 in share-based compensation expense related to seed capital options (three and nine months ended December 31, 2018 – \$1,286 and \$7,557, respectively).

The following table summarizes information about seed capital options outstanding as at December 31, 2019, and March 31, 2019:

Date	Options Outstanding			Options Exercisable			
	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	0.05	2,838,894	0.6	1.44	0.05	1,216,671	1.44
March 31, 2019	0.05	3,838,892	1.4	4.40	0.05	772,225	4.40

**Consultant Options**

As at March 31, 2019, the Company had 7,993,668 options to purchase Subordinated Voting Shares granted to employees of CGC and other consultants of the Company outstanding. During the three and nine months ended December 31, 2019, the Company granted 15,000 and 60,000 options to purchase Subordinated Voting Shares to consultants of the Company. Options granted to CGC employees and consultants are considered “consultant options” from the Company’s perspective. The options have exercise prices ranging from \$0.60 to \$3.50 per Subordinated Voting 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 option pricing model and will be remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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

<b>Consultant Options</b>	<b>Initial Recognition</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Share price	\$0.60	\$4.45	\$1.49
Exercise price	\$0.60	\$0.60 – \$3.50	\$0.60 – \$3.50
Risk-free interest rate	1.5%	1.6%	1.7%
Weighted average expected life (years)	3.0 – 4.0	0.4 – 3.3	0 – 3.9
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%
Expected forfeiture rate	0%	0%	0%

During the three and nine months ended December 31, 2019, 133,332 and 311,664 consultant options were exercised at a weighted average price of \$0.60 for gross proceeds of \$80 and \$187, respectively (three and nine months ended December 31, 2018 – 16,667 consultant options exercised at a weighted average price of

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\$0.60 for gross proceeds of \$10). During the three and nine months ended December 31, 2019, 133,333 consultant options were forfeited (three and nine months ended December 31, 2018 – nil).

During the three and nine months ended December 31, 2019, the Company recorded \$(27) and \$3,087 in share-based compensation expense (recovery) related to consultant options, respectively (three and nine months ended December 31, 2018 – \$3,361 and \$11,311, respectively).

The following table summarizes information about consultant options outstanding as at December 31, 2019, and March 31, 2019:

Date	Options Outstanding			Options Exercisable			
	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	1.80	7,608,671	3.2	0.66	1.37	4,113,671	0.73
March 31, 2019	1.73	7,993,668	3.9	3.26	0.60	1,530,335	3.87

**Employee and Director Options**

As at March 31, 2019, the Company had 4,506,000 options to purchase Subordinated Voting Shares granted to employees and directors of the Company outstanding. During the three and nine months ended December 31, 2019, the Company granted an additional 275,000 and 1,933,000 options to purchase Subordinated Voting Shares, respectively, to employees of the Company. The options have exercise prices ranging from \$1.10 to \$4.83 per Subordinated Voting 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 option pricing model. These options are not subsequently remeasured. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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

Employee and Director Options	Initial Recognition
Share price	\$1.10 – \$4.83
Exercise price	\$1.10 – \$4.83
Risk-free interest rate	1.2 – 2.3%
Weighted average expected life (years)	3.0 – 4.0
Dividend yield	0%
Expected annualized volatility	70%
Expected forfeiture rate	0%

During the three and nine months ended December 31, 2019, 750,000 employee and director options were exercised at a weighted average price of \$1.10 for gross proceeds of \$825 (three and nine months ended December 31, 2018 – nil).

During the three and nine months ended December 31, 2019, the Company recorded \$966 and \$3,150 in share-based compensation expense related to employee and director options, respectively (three and nine months ended December 31, 2018 – \$546 and \$1,051, respectively).

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The following table summarizes information about employee and director options outstanding as at December 31, 2019, and March 31, 2019:

Date	Options Outstanding			Options Exercisable			
	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	2.96	5,689,000	3.9	1.48	2.49	1,149,999	1.18
March 31, 2019	2.42	4,506,000	4.3	1.22	1.10	550,000	0.51

**Former AIM2 Options**

Following the completion of the Qualifying Transaction on September 17, 2018, the Company's options outstanding included 36,137 options to purchase Subordinated Voting Shares held by former option holders of AIM2. The options have an exercise price of \$2.66 per Subordinated Voting Share and were immediately exercisable. The options were measured at fair value as at September 17, 2018, using a Black-Scholes option pricing model for the purpose of determining the fair value of the share-based payment made in connection with the Qualifying Transaction, and the entire fair value was recognized in contributed surplus.

The following assumptions were used in determining the fair value of the options held by former AIM2 option holders at the date of completion of the Qualifying Transaction. These options are not subsequently remeasured.

Former AIM2 Options	Initial Recognition
Share price	\$3.50
Exercise price	\$2.66
Risk-free interest rate	2.1%
Weighted average expected life (years)	1.9
Dividend yield	0%
Expected annualized volatility	82%
Expected forfeiture rate	0%

During the three and nine months ended December 31, 2019, no former AIM2 options were exercised (three and nine months ended December 31, 2018 – 9,033 former AIM2 options were exercised at a weighted average price of \$2.66 for gross proceeds of \$24). During the three and nine months ended December 31, 2019, 22,587 AIM2 options expired (three and nine months ended December 31, 2018 – nil). Accordingly, no former AIM2 options remain outstanding or exercisable as at December 31, 2019.

The following table summarizes information about former AIM2 options outstanding as at December 31, 2019, and March 31, 2019:

Date	Options Outstanding			Options Exercisable			
	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	n/a	–	–	n/a	n/a	–	n/a
March 31, 2019	2.66	22,587	0.5	1.82	2.66	22,587	1.82

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**Stock Options 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, 2019	16,361,147	\$ 1.53
Granted	1,993,000	3.45
Exercised	2,061,662	0.52
Forfeited	133,333	0.60
Expired	22,587	2.66
<b>Balance, December 31, 2019</b>	<b>16,136,565</b>	<b>\$ 1.90</b>

**(d) Warrants**

**PharmHouse Warrants**

In connection with the formation of PharmHouse described in Note 9(c), the Company issued 14,400,000 warrants to the PharmHouse JV Partner. The warrants are exercisable for a period of two years following the date that PharmHouse receives a licence to sell cannabis under the Cannabis Act. Upon issuance, the exercise price of the warrants was set to be at the lower of \$2.00 per share and the price per subscription receipt issued by CRC PrivateCo in connection with the CRC PrivateCo's financing to be completed concurrently with its initial public listing.

Upon initial recognition of the warrants, the warrants were recorded as a derivative liability as the exercise price of the warrants was contingent upon future events, and the fair value was estimated using a Black-Scholes option pricing model. On September 17, 2018, it was determined that the exercise price of the warrants was fixed at \$2.00 per share based upon the completion of the Qualifying Transaction and the concurrent financing by CRC PrivateCo at \$3.50 per share. Accordingly, the warrants were remeasured and reclassified to contributed surplus. The fair value of the derivative liability was estimated to be \$29,232 upon initial recognition and \$28,512 as at the time of reclassification to contributed surplus using a Black-Scholes option pricing model by applying the following assumptions:

PharmHouse Warrants	Initial Recognition	September 17, 2018
Share price	\$3.50	\$3.50
Exercise price	\$2.00	\$2.00
Risk-free interest rate	1.9%	2.1%
Weighted average expected life (years)	1.9	1.8
Dividend yield	0%	0%
Expected annualized volatility	76%	74%

During the three and nine months ended December 31, 2019, no PharmHouse warrants were exercised (three and nine months ended December 31, 2018 – nil).

The following table summarizes information about PharmHouse warrants outstanding as at December 31, 2019, and March 31, 2019:

Date	Warrants Outstanding			Warrants Exercisable			
	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	2.00	14,400,000	2.3	1.98	n/a	-	n/a
March 31, 2019	2.00	14,400,000	2.3	1.98	n/a	-	n/a

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**Former AIM2 Warrants**

Following completion of the Qualifying Transaction on September 17, 2018, the Company's warrants outstanding included 18,821 warrants to purchase Subordinated Voting Shares held by former warrant holders of AIM2. The warrants have an exercise price of \$2.66 per Subordinated Voting Share and are currently exercisable. The warrants were measured at fair value as at September 17, 2018, using a Black-Scholes option pricing model for the purpose of determining the fair value of the share-based payment made in connection with the Qualifying Transaction, and the entire fair value was recognized in contributed surplus.

The following assumptions were used in determining the fair value of the warrants held by former AIM2 warrant holders at the date of completion of the Qualifying Transaction:

Former AIM2 Warrants	Initial Recognition
Share price	\$3.50
Exercise price	\$2.66
Risk-free interest rate	2.1%
Weighted average expected life (years)	0.4
Dividend yield	0%
Expected annualized volatility	84%

During the three and nine months ended December 31, 2019, no former AIM2 warrants were exercised (three and nine months ended December 31, 2018 – 1,222 former AIM2 warrants were exercised at a weighted average price of \$2.66 for gross proceeds of \$3).

The following table summarizes information about former AIM2 warrants outstanding as at December 31, 2019, and March 31, 2019:

Date	Warrants Outstanding			Warrants Exercisable			
	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Fair Value per Share
	\$	#	# (years)	\$	\$	#	\$
December 31, 2019	2.66	9,450	0.4	1.17	2.66	9,450	1.17
March 31, 2019	2.66	9,450	0.9	1.17	2.66	9,450	1.17

**Warrants Summary**

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

	# of Warrants	Weighted Avg. Exercise Price
Balance, March 31, 2019	14,409,450	\$ 2.00
Granted	-	-
Exercised	-	-
<b>Balance, December 31, 2019</b>	<b>14,409,450</b>	<b>\$ 2.00</b>

**13. 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

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the members of the Company's executive management team and Board, who control approximately 3.2% of the Shares of the Company on a fully diluted basis as at December 31, 2019. Compensation provided to key management personnel is as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Share-based compensation	\$ 671	\$ 873	\$ 2,624	\$5,368
Salaries and accrued bonuses	373	214	1,247	544
Director fees	125	-	175	-

**(b) Transactions with CGC**

As at December 31, 2019, the Company has a \$142 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 12(c) (March 31, 2019 – \$192). In the event the loans are repaid by the employees/consultant, the related Shares will be issued, and the liability will be settled.

As at December 31, 2019, the Company has a \$nil liability to CGC included in accounts payable and accrued liabilities relating to reimbursement for Eureka's license application costs borne by CGC (March 31, 2019 – \$250).

The Company has other intercompany amounts with CGC, which are immaterial on a net basis.

**(c) Transactions with other related parties**

Transactions and balances with the Company's associates and joint venture are described and discussed in Notes 8 and 9. Transactions and balances with associated entities of CGC are described and discussed in Notes 7, 10, and 11.

The PharmHouse Promissory Note described in Note 8 was entered into at a below-market rate of interest in the capacity of the Company and the PharmHouse JV Partner being shareholders of PharmHouse. Since the Promissory Note has a demand feature, the fair value of the Promissory Note at initial recognition was equal to the principal amount advanced by the Company. Therefore, the Company did not recognize a gain or loss.

All other transactions are in the normal course of operations and were entered into at market terms.

**14. INCOME TAXES**

For the three and nine months ended December 31, 2019, the Company recognized income tax expense of \$906 and, \$1,205 respectively (three and nine months ended December 31, 2018 – income tax expense of \$1,119 and \$3,985, respectively). Income tax expense of \$1,205 for the nine months ended December 31, 2019 is comprised of current income tax recovery of \$553 and deferred income tax expense of \$1,758.

As at December 31, 2019, the Company has \$3,427 in non-capital losses available to reduce future years' federal and provincial taxable income (March 31, 2019 – \$1,173).

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**15. FINANCIAL INSTRUMENTS**

**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 and royalty receivable, other receivables, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

The following table provides information about how the fair values as at December 31, 2019, of the Company's other financial instruments are determined:

	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
<b>Financial assets – fair value through profit or loss</b>						
Agripharm Royalty Interest	\$18,362	\$10,255	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	<i>Key observable inputs:</i> • Per gram royalty / minimum payment <i>Key unobservable inputs:</i> • Cannabis production • Discount rate (22% at December 31, 2019; 22% at March 31, 2019)
Agripharm Warrant	\$209	\$461	FVTPL	Level 3	Black-Scholes option pricing model	<i>Key observable inputs:</i> • Exercise price • Risk-free interest rate • Dividend yield <i>Key unobservable inputs:</i> • Share price • Expected life • Expected annualized volatility
JWC Royalty Interest	\$2,630	\$2,644	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	<i>Key observable inputs:</i> • Per gram royalty / minimum payment <i>Key unobservable inputs:</i> • Cannabis production • Discount rate (19% at December 31, 2019; 19% at March 31, 2019)

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	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
JWC Warrants	\$nil	\$824	FVTPL	Level 3	Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Exercise price</li> <li>• Risk-free interest rate</li> <li>• Dividend yield</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Expected life</li> <li>• Expected annualized volatility</li> </ul>
Radicle Royalty Interest	\$5,038	\$5,064	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	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Per gram royalty / minimum payment</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Cannabis production</li> <li>• Discount rate (19% at December 31, 2019; 19% at March 31, 2019)</li> </ul>
Vert Mirabel Preferred Shares	\$19,614	\$16,994	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	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Dividend yield (18% decreasing to 10% at December 31, 2019; 18% decreasing to 10% at March 31, 2019)</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Timing of greenhouse purchase</li> <li>• Timing of redemption</li> <li>• Discount rate (15% at December 31, 2019; 22.5% at March 31, 2019)</li> </ul>
Civilized Convertible Debenture	\$3,449	\$4,250	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	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Principal advanced</li> <li>• Interest rate (14% at December 31, 2019; 14% at March 31, 2019)</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Discount rate (50% at December 31, 2019; 0% at March 31, 2019)</li> <li>• Probability adjustment (40% at December 31, 2019; 0% at March 31, 2019)</li> </ul>
Civilized Warrants	\$nil	\$760	FVTPL	Level 3	Probability- adjusted Black- Scholes option pricing model	<ul style="list-style-type: none"> <li>• Management has estimated that there is \$nil value associated with the Civilized warrants as at December 31, 2019</li> </ul>



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	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
Canapar Call Option	\$6,000	\$7,500	FVTPL	Level 3	Simulation model using Geometric Brownian Motion	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Canadian dollar / Euro foreign exchange ("FX") rate</li> <li>• Risk-free interest rate</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Company equity value</li> <li>• Expected life</li> <li>• Expected volatility of company equity value</li> <li>• Projected EBITDA</li> <li>• Expected annualized volatility of EBITDA</li> <li>• Expected annualized volatility of FX rate</li> </ul>
Greenhouse Juice Secured Convertible Debenture	\$7,760	\$5,853	FVTPL	Level 3	FinCAD model (with a Black-Scholes option pricing model)	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Principal advanced</li> <li>• Conversion price</li> <li>• Risk-free interest rate</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Implied credit spread (25% at December 31, 2019; 25% at March 31, 2019)</li> <li>• Expected annualized volatility (40% at December 31, 2019; 40% at March 31, 2019)</li> </ul>
Greenhouse Juice Unsecured Convertible Debenture	\$3,015	-	FVTPL	Level 3	Income approach – discounted cash flow (with a Monte Carlo simulation)	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Principal advanced</li> <li>• Risk-free interest rate</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Conversion price</li> <li>• Share price</li> <li>• Implied credit spread (5% at December 31, 2019; not applicable as at March 31, 2019)</li> <li>• Expected annualized volatility (40% at December 31, 2019; not applicable as at March 31, 2019)</li> </ul>
Greenhouse Juice Warrants	\$190	-	FVTPL	Level 3	Monte Carlo simulation model (using Geometric Brownian Motion) and Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Exercise price</li> <li>• Risk-free interest rate</li> <li>• Dividend yield</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Expected life</li> </ul>

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	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
Herbert Warrant	\$34	\$100	FVTPL	Level 3	Black-Scholes option pricing model	<ul style="list-style-type: none"> <li>• Expected annualized volatility</li> </ul> <i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Exercise price</li> <li>• Risk-free interest rate</li> <li>• Dividend yield</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Expected life</li> <li>• Expected annualized volatility</li> </ul>
High Beauty Warrants	\$559	-	FVTPL	Level 3	Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Exercise price</li> <li>• Risk-free interest rate</li> <li>• Dividend yield</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Expected life</li> <li>• Expected annualized volatility</li> </ul>
High Beauty Convertible Promissory Note	\$948	-	FVTPL	Level 3	FinCAD model (with a Monte Carlo simulation model using Geometric Brownian Motion)	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Principal advanced</li> <li>• Conversion price</li> <li>• Risk-free interest rate</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Implied credit spread (20% at December 31, 2019; not applicable as at March 31, 2019)</li> <li>• Expected annualized volatility (50% at December 31, 2019; not applicable as at March 31, 2019)</li> <li>• Timing and probability of qualified financing</li> </ul>
BioLumic Convertible Promissory Note	\$2,094	-	FVTPL	Level 3	Income approach – discounted cash flow (with a Monte Carlo simulation model using Geometric Brownian Motion)	<i>Key observable inputs:</i> <ul style="list-style-type: none"> <li>• Principal advanced</li> <li>• Conversion price</li> <li>• Risk-free interest rate</li> </ul> <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Implied credit spread (24% at December 31, 2019; not applicable as at March 31, 2019)</li> </ul>

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	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
						<ul style="list-style-type: none"> <li>Expected annualized volatility (33% at December 31, 2019; not applicable as at March 31, 2019)</li> <li>Timing and probability of qualified financing</li> </ul>
Tweed Tree Lot Royalty Interest	\$13,491	-	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	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>Per gram royalty / minimum payment</li> </ul> <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> <li>Cannabis production</li> <li>Discount rate (23% at December 31, 2019; not applicable as at March 31, 2019)</li> </ul>
TerrAscend Canada Term Loan	\$11,970	-	FVTPL	Level 3	Income approach – discounted cash flow for the loan; Monte Carlo simulation model (using Geometric Brownian Motion) for the attached warrants	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>Principal advanced</li> <li>Share price</li> <li>Risk-free interest rate</li> <li>Dividend yield</li> </ul> <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> <li>Implied credit spread (8.5% at December 31, 2019; not applicable as at March 31, 2019)</li> <li>Expected annualized volatility</li> <li>Expected timing of TerrAscend Triggering Event</li> </ul>
TerrAscend Warrants II	\$118	-	FVTPL	Level 3	Black-Scholes option pricing model	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>Share price</li> <li>Exercise price</li> <li>Risk-free interest rate</li> <li>Dividend yield</li> </ul> <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> <li>Expected life</li> <li>Expected annualized volatility</li> <li>Expected timing of TerrAscend Triggering Event</li> </ul>
<b>Total</b>	<b>\$95,481</b>	<b>\$54,705</b>				
<b>Financial assets – fair value through other comprehensive income</b>						
JWC Common Shares	\$3,190	\$12,389	FVTOCI	Level 1	Quoted share price	N/A

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	Fair value as at Dec. 31 2019	Fair value as at Mar. 31, 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
TerrAscend Exchangeable Shares	\$29,000	\$80,000	FVTOCI	Level 3	Market approach – based on trading price of TerrAscend common shares on CSE as at the valuation date, adjusted for a discount for lack of marketability calculated using an Asian Put Option model across a series of exchange dates	<p><i>Key observable inputs</i></p> <ul style="list-style-type: none"> <li>• Share price</li> <li>• Exercise price</li> <li>• Risk-free interest rate</li> <li>• Dividend yield</li> </ul> <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> <li>• Expected annualized volatility</li> <li>• Expected timing of TerrAscend Triggering Event</li> </ul>
Vert Mirabel Common Shares	\$19,988	\$34,486	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	<p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> <li>• Cannabis production</li> <li>• Selling price per gram (long-term)</li> <li>• Production cost per gram</li> <li>• Discount rate (17.5% at December 31, 2019; 27.5% at March 31, 2019)</li> <li>• Discount for lack of marketability (20% at December 31, 2019; 20% at March 31, 2019)</li> </ul>
Eureka Common Shares	\$148	\$2,170	FVTOCI	Level 2	Last trading price of halted security	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>• Last trading price of halted security</li> </ul>
YSS Common Shares	\$1,795	\$4,244	FVTOCI	Level 1	Quoted share price	N/A
Headset Preferred Shares	\$4,085	\$4,009	FVTOCI	Level 3	Market approach – most recent financing: based upon per share valuation in Headset's most recent financing completed in December 2018, adjusted for FX gains/losses	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>• Financing price</li> <li>• FX rate</li> </ul>
ZeaKal Preferred Shares	\$12,986	-	FVTOCI	Level 3	Market approach – most recent financing: based upon per share valuation in ZeaKal's most recent financing completed in August 2019, adjusted for FX gains/losses	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> <li>• Financing price</li> <li>• FX rate</li> </ul>
<b>Total</b>	<b>\$71,192</b>	<b>\$137,298</b>				

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	Value as at Dec. 31 2019	Value as at Mar. 31 2019	Classifi- cation	Fair value hierarchy	Valuation technique	Key inputs
<b>Financial assets – amortized cost</b>						
PharmHouse Loans Receivable	Fair value: \$39,897  Carrying value: \$40,000	Fair value: \$39,921  Carrying value: \$40,000	Amortized cost	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	<i>Key observable inputs:</i> • Principal advanced • Interest rate (12% at December 31, 2019; 12% at March 31, 2019) <i>Key unobservable inputs:</i> • Discount rate (12% at December 31, 2019; 12% at March 31, 2019)
PharmHouse Promissory Note	Fair value: \$1,470  Carrying value: \$1,470	Fair value: \$nil  Carrying value: \$nil	Amortized cost	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	<i>Key observable inputs:</i> • Demand feature results in the fair value and carrying value equaling the principal amount advanced by the Company
<b>Total</b>	<b>Fair value: \$41,367  Carrying value: \$41,470</b>	<b>Fair value: \$39,921  Carrying value: \$40,000</b>				

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

Financial assets

- Level 1: December 31, 2019 – \$4,985 (March 31, 2019 – \$16,633)
- Level 2: December 31, 2019 – \$148 (March 31, 2019 – \$2,170)
- Level 3: December 31, 2019 – \$202,907 (March 31, 2019 – \$213,121)

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:

- 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 similar-stage ventures commensurate with the risk inherent in achieving the expected cash flows. An increase in this input would result in a decrease in fair value.

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- 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.
- Black-Scholes option pricing model and Asian Put Option 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.
  - Expected timing of the TerrAscend Triggering Event: A longer probability curve would result in a decrease in fair value (specific to the financial instruments invested in TerrAscend).
- Simulation model using Geometric Brownian Motion (Level 3) – Simulation of correlated paths between the following inputs:
  - Company equity value: 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.
  - Volatility of company equity value: An increase in this input would result in an increase in fair value.
  - Projected EBITDA: An increase in this input would result in a decrease in fair value (specific to Canapar call option).
  - Volatility of EBITDA: An increase in this input would result in a decrease in fair value (specific to Canapar call option).
  - Volatility of FX rate – An increase in this input would result in an increase in fair value.
- FinCAD model (Level 3) – Partial Differentiate Equation method with a system of coupled Black-Scholes equations. Simulates the cash flows an optimally behaving holder of a convertible bond will receive, bifurcating the debt and option components:
  - Company equity value: An increase in this input would result in an increase in the fair value of the option component.
  - Volatility of company equity value: An increase in this input would result in an increase in the fair value of the option component.
  - Implied credit spread: An increase in this input would result in a decrease in the fair value of the debt component.
  - Expected life (years): An increase in this input would result in an increase in the fair value of the option component and a decrease in fair value of the debt component.

The Company has performed sensitivity analyses over key inputs to Level 3 investments and has outlined the potential corresponding impact on total comprehensive income below. The change in fair value of the financial instrument has been determined based on changes to individual inputs independently, without consideration of the impact of such change on other variables that influence value. The realization of sensitivities outlined below would have affected the Company's net changes in fair value of financial assets at FVTPL and FVTOCI and would not have had a material impact on cash flows from operations.

Investee	Instrument	Input	Assumption	Change	Impact
Agripharm	Royalty interest	Discount rate	22.0%	+ 2.5% (abs)	(\$1,687)
JWC	Royalty interest	Discount rate	19.0%	+ 2.5% (abs)	(\$257)
Radicle	Royalty interest	Discount rate	19.0%	+ 2.5% (abs)	(\$493)
Tweed Tree Lot	Royalty interest	Discount rate	23.0%	+ 2.5% (abs)	(\$1,210)
TerrAscend	Exchangeable Shares	Timing of TerrAscend Triggering Event	Probability curve	+ 1 year	\$(374)
		Volatility	Various	+ 5.0%	\$(1,525)
TerrAscend Canada	Term Loan	Credit spread	Various	+2.5% (abs)	\$(666)
Vert Mirabel	Common shares	Production (kg)	Various	- 5.0%	\$(3,089)
		Long-term price	\$1.25	- 5.0%	\$(789)
		Discount rate	17.5%	+ 2.5% (abs)	\$(2,289)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

Investee	Instrument	Input	Assumption	Change	Impact
	Preferred shares	Discount rate	15.0%	+ 2.5% (abs)	(\$318)
Civilized	Convertible debenture	Probability adjustment	40.0%	+ 5.0% (abs)	(\$300)
Canapar	Call option	Company equity value volatility	70.0%	- 5.0% (abs)	(\$1,091)
Greenhouse Juice	Secured convertible debenture	Expected life (yrs)	2.0	- 0.5 year	(\$311)
		Volatility	40.0%	- 5.0% (abs)	(\$171)
		Credit spread	25.0%	+ 5.0% (abs)	(\$236)
	Unsecured convertible debenture	Volatility	40.0%	- 5.0% (abs)	(\$12)
		Credit spread	5.0%	+ 2.0% (abs)	(\$18)
BioLumic	Convertible promissory note	Expected life (yrs)	Various	- 5.0% (abs)	(\$161)
		Credit spread	24%	+5.0% (abs)	(\$78)
High Beauty	Convertible promissory note	Volatility	50%	+ 10.0% (abs)	(\$3)

**16. COMMITMENTS AND CONTINGENCIES**

In connection with the Company's investment in Greenhouse Juice as described in Note 9(e), the Company is required to exercise its warrants with a face value of \$3,000 upon the achievement of future revenue targets.

As described in Note 6, in connection with the Company's strategic alliance with Kindred, the Company has a possible obligation to fund the Brokerage Payments, being the difference between the minimum annual aggregate brokerage fees and actual annual aggregate brokerage fees received by Kindred. The minimum annual aggregate brokerage fees are \$3,000 for each of the 12 months ending December 31, 2020 and 2021. The Company notes that a contingent liability exists at each reporting period with respect to the possible Brokerage Payments. Accordingly, as at December 31, 2019, the Company has a contingent liability of \$3,000 for each of the 12 months ending December 31, 2020 and 2021, which includes the Brokerage Payments Deposit of \$1,000 currently recognized on the condensed interim consolidated statement of financial position.

**17. EARNINGS PER SHARE**

Basic earnings per share ("EPS") amounts are calculated by dividing the net income (or loss) of the Company by the weighted average number of Shares outstanding during the period. Diluted EPS amounts are calculated by dividing the net income (or loss) of the Company by the weighted average number of Shares outstanding during the period as if potentially dilutive common shares have been issued during the period.

The following tables set forth the calculation of basic and diluted EPS for the three and nine months ended December 31, 2019 and 2018:

	<u>Three months ended December 31, 2019</u>			<u>Nine months ended December 31, 2019</u>		
	Net loss	Weighted avg. number of shares	EPS	Net loss	Weighted avg. number of shares	EPS
Basic	\$ (2,679)	188,810,348	\$(0.01)	\$ (10,051)	188,078,379	\$(0.05)
Dilutive securities		-			-	
<b>Diluted</b>	<b>\$ (2,679)</b>	<b>188,810,348</b>	<b>\$(0.01)</b>	<b>\$ (10,051)</b>	<b>188,078,379</b>	<b>\$(0.05)</b>

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

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

	<u>Three months ended December 31, 2018</u>			<u>Nine months ended December 31, 2018</u>		
	<u>Net income</u>	<u>Weighted avg. number of shares</u>	<u>EPS</u>	<u>Net income</u>	<u>Weighted avg. number of shares</u>	<u>EPS</u>
Basic	\$ 1,423	166,956,025	\$0.01	\$ 5,744	147,583,953	\$0.04
Dilutive securities		13,869,768			10,969,564	
<b>Diluted</b>	<b>\$ 1,423</b>	<b>180,825,793</b>	<b>\$0.01</b>	<b>\$ 5,744</b>	<b>158,553,517</b>	<b>\$0.04</b>

**18. SUBSEQUENT EVENTS**

On January 2, 2020, the Company advanced \$1,000 to Radicle pursuant to a convertible debenture agreement. As part of this investment, the Company also received common share purchase warrants. Per the convertible debenture agreement, interest is earned at 12% per annum, calculated and payable semi-annually, and the debenture matures on January 2, 2023.

On February 6, 2020, the Company completed a subscription for 2,380,952 units of JWC at a price of \$0.21 per unit, for a total investment of \$500. Each unit was comprised of one common share in the capital of JWC and one-half of one common share purchase warrant. Each full warrant entitles the Company to purchase one common share of JWC at a price of \$0.275 per common share at any time on or before February 6, 2023.

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

	<u>Nine months ended December 31, 2019</u>
Additions to financial assets at FVTOCI (Note 11)	\$ 14,571
(-) Excess of share value over exercise price realized in JWC warrant exercise	(270)
<b>Purchase of financial assets at FVTOCI</b>	<b>\$ 14,301</b>