CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019

(IN CANADIAN DOLLARS)

CANOPY RIVERS INC.

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CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in CDN $000's)	Notes		As at June 30, 2020		As at March 31, 2020
Assets					
Current assets					
Cash		$	43,912	$	46,724
Interest and royalty receivable, net of provision for credit losses	6,8		10,773		10,067
Other receivables			416		416
Prepaid expenses and other assets			164		264
			55,265		**57,471**
Brokerage payments deposit	4		-		833
Finance lease receivable	5		2,795		2,772
Interest receivable - long term	8		1,130		924
Right-of-use assets			515		553
Loans receivable	6		42,450		42,450
Equity method investees	7		46,535		50,543
Financial assets at fair value through profit or loss	8		83,800		80,170
Financial assets at fair value through other comprehensive income	9		75,323		64,599
Other long-term assets			137		70
			252,685		**242,914**
Total assets		**$**	**307,950**	**$**	**300,385**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	1,003	$	1,541
Lease liability - current			149		147
			1,152		**1,688**
Lease liability - non-current			381		419
Deferred tax liability	12		-		-
			381		**419**
Total liabilities			**1,533**		**2,107**
Shareholders' equity					
Share capital	10		286,482		284,646
Share-based payment reserve			27,316		28,288
Contributed surplus			58,859		58,859
Retained earnings (deficit)			(66,240)		(73,515)
			306,417		**298,278**
Total liabilities and shareholders' equity		**$**	**307,950**	**$**	**300,385**

Commitments and contingencies (Note 14)

Subsequent events (Note 16)

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

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

(Expressed in CDN $000's, except for per share amounts)	Notes	Three months ended June 30, 2020	Three months ended June 30, 2019
Operating income			
Income on finance lease receivable	5	$ 167	163
Income on loans receivable	6	1,205	1,209
Royalty and other interest income on financial assets at fair value through profit or loss	8	1,295	769
Recapture (provision) for credit losses		(5)	-
Operating income (before equity method investees and fair value changes)		**2,662**	**2,141**
Operating expenses			
Consulting and professional fees		376	492
General and administrative expenses		1,342	1,547
Share-based compensation	10	909	3,686
Depreciation and amortization expense		42	42
Total operating expenses		**2,669**	**5,767**
Net operating loss (before equity method investees and fair value changes)		**(7)**	**(3,626)**
Share of loss from equity method investees	7	(3,985)	(968)
Net changes in fair value of financial assets at fair value through profit or loss	8	1,630	1,512
Net operating loss		**(2,362)**	**(3,082)**
Other expenses (income)			
Interest expense		8	10
Other expenses (income), net		1,056	(558)
Loss before taxes		**(3,426)**	**(2,534)**
Income tax expense (recovery)	12	-	432
Net loss		**$ (3,426)**	**$ (2,966)**
Other comprehensive income (loss) not subsequently reclassified to net loss			
Net change in fair value of financial assets at fair value through other comprehensive income (loss), net of tax recovery of $nil (2019 - $883)	9	10,701	(5,784)
Total comprehensive income (loss)		**$ 7,275**	**$ (8,750)**
Earnings (loss) per share - basic	15	**$ (0.02)**	**$ (0.02)**
Earnings (loss) per share - diluted	15	**$ (0.02)**	**$ (0.02)**

Comparative information has been amended to align with current year presentation.

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in CDN $000's)	Notes	Three months ended June 30, 2020	June 30, 2019
Cash flows used in operating activities			
Net loss		$ (3,426)	$ (2,966)
Adjustments for:			
Income on finance lease receivable	5	(167)	(163)
Share-based compensation expense	10	909	3,686
Share of loss from equity method investees	7	3,985	968
Net changes in fair value of financial assets at fair value through profit or loss	8	(1,630)	(1,512)
Interest expense		8	10
Income tax expense	12	-	432
Other non-cash expenses (income)		34	42
Increase in interest and royalty receivable, net of provision for credit losses		(706)	(1,724)
Decrease (increase) in other receivables		-	(31)
Increase in prepaid expenses and other assets		100	90
Increase in interest receivable - long term	8	(206)	-
Decrease in brokerage payments deposit	4	833	-
Decrease (increase) in accounts payable and accrued liabilities		(541)	(1,620)
Net cash used in operating activities before income taxes paid		(807)	(2,788)
Income taxes paid		-	-
Net cash used in operating activities		**$ (807)**	**$ (2,788)**
Cash flows used in investing activities			
Restricted cash reserve		-	12,000
Purchase of investments in equity method investees	7	-	(2,867)
Purchase of financial assets at fair value through profit or loss	8	(2,000)	(8,492)
Purchase of financial assets at fair value through other comprehensive income	9	-	(13,487)
Payments from finance lease receivable		145	145
Purchase of other long-term assets		(72)	(1)
Net cash used in investing activities		**$ (1,927)**	**$ (12,702)**
Cash flows provided by financing activities			
Payment of lease principal		(44)	(29)
Proceeds from exercise of stock options and warrants	10	92	86
Shares repurchased under normal course issuer bid		(126)	-
Net cash provided by (used in) financing activities		**$ (78)**	**$ 57**
Net increase (decrease) in cash		$ (2,812)	$ (15,433)
Cash, beginning of fiscal period		46,724	104,183
Cash, end of fiscal period		**$ 43,912**	**$ 88,750**

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS 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
Balance at March 31, 2019	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
Net loss	-	-	-	-	-	(2,966)	(2,966)
Other comprehensive loss	-	-	-	-	-	(5,784)	(5,784)
Balance at June 30, 2019	**36,468,318**	**151,081,576**	**$ 282,807**	**$ 25,931**	**$ 58,609**	**$ 35,861**	**$ 403,208**
Balance at March 31, 2020	36,468,318	152,837,131	$ 284,646	$ 28,288	$ 58,859	$ (73,515)	$ 298,278
Repayment of share purchase loans	-	-	32	-	-	-	32
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	638,891	1,582	(1,582)	-	-	-
Exercise of options (excluding seed capital options)	-	100,000	358	(299)	-	-	59
Shares repurchased and cancelled under normal course issuer bid	-	(109,100)	(136)	-			(136)
Share-based compensation (Subordinated Voting Shares – seed capital)	-	-	-	59	-	-	59
Share-based compensation (Subordinated Voting Shares)	-	-	-	733	-	-	733
Share-based compensation (Restricted Share Units)	-	-	-	117	-	-	117
Net loss	-	-	-	-	-	(3,426)	(3,426)
Other comprehensive income	-	-	-	-	-	10,701	10,701
Balance at June 30, 2020	**36,468,318**	**153,466,922**	**$ 286,482**	**$ 27,316**	**$ 58,859**	**$ (66,240)**	**$ 306,417**

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 identifies strategic counterparties seeking financial and/or operating support, and aims to provide investor returns through dividends and capital appreciation, while generating interest, lease, and royalty income to finance employee compensation, professional fees, and other general and administrative costs associated with operating the business to generate these returns. 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 TSX Venture Exchange (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.

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 August 13, 2020.

All figures are presented in thousands of Canadian dollars unless otherwise noted.

(b) Basis of measurement

These Interim Financial Statements have been prepared 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 8, 9, and 13 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, 2020 (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, 2020. As such, certain disclosures included in the Interim Financial Statements 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, unless as otherwise noted herein.

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 June 30, 2020, 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 other investees.

3. CHANGES IN ACCOUNTING POLICY

The significant accounting policies used in preparing these Interim Financial Statements are unchanged from those disclosed in the Company's most recent annual consolidated financial statements and have been applied consistently to all periods presented in these Interim Financial Statements.

Certain new standards, amendments, and interpretations have been issued but are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations, which are issued but not yet effective. These standards, amendments, and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

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

4. 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.

On May 5, 2020, the Company and Kindred amended the terms of their strategic alliance agreement. As a result of the agreed-upon revisions, the financial obligations of the Company pursuant to the agreement, which previously covered a two-year period from January 1, 2020, were amended to cover a one-year period from January 1, 2020.

Under the terms of the strategic alliance agreement, as amended, 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 the four calendar quarters covering calendar 2020. 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 original agreement, the Company provided Kindred with a $1,000 refundable deposit, to be used to cover any required Brokerage Payments. Upon initial recognition, the Company recorded the deposit as an asset. At the end of each reporting period, the Company assesses the estimated shortfall amounts over the contract term and recognizes an expense rationally over the contract term. For the three months ended June 30, 2020, the Company recorded a Brokerage Payment expense of $1,123 (three months ended June 30, 2019 – not applicable), of which $833 was applied against the remainder of the Brokerage Payments Deposit and an additional shortfall of $290 was recorded as a payable to Kindred.

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 14 for additional details.

5. 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 June 30, 2020	**As at March 31, 2020**
Non-current finance lease receivable	$ 2,795	$ 2,772
Total	**$ 2,795**	**$ 2,772**

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

Scheduled collections of minimum monthly lease payments based on the contractual terms as at June 30, 2020, and March 31, 2020, are presented in the table below:

	As at June 30, 2020		As at March 31, 2020	
	Minimum Lease Payments	**Applied to Principal**	**Minimum Lease Payments**	**Applied to Principal**
No later than one year	$ 563	$ (103)	$ 563	$ (97)
Between one year and five years	2,573	(317)	2,543	(328)
Later than five years	10,099	3,215	10,269	3,197
	$ 13,235	$ 2,795	$ 13,375	$ 2,772
Less: Unearned finance income	(10,440)	-	(10,603)	-
Present value of minimum lease payments	$ 2,795	$ 2,795	$ 2,772	$ 2,772
Allowance for uncollectible lease payments	-	-	-	-
	$ 2,795	**$ 2,795**	**$ 2,772**	**$ 2,772**

The unguaranteed residual value of the building under lease is estimated to be $2,609 (March 31, 2020 – $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 $167 (inclusive of management fee income) was recognized for three months ended June 30, 2020 (three months ended June 30, 2019 – $163). The finance lease receivable as at June 30, 2020, and March 31, 2020, is neither past due nor impaired.

6. LOANS RECEIVABLE

As at June 30, 2020, the Company had advanced $40,000 of secured debt financing pursuant to a shareholder loan agreement with PharmHouse Inc. ("PharmHouse") (March 31, 2020 – $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 upon the achievement of certain sales-related milestones. Interest income of $1,205 was recognized for the three months ended June 30, 2020 (three months ended June 30, 2019 – $1,209). As at June 30, 2020, the Company had $7,697 interest receivable relating to the Company's shareholder loan from PharmHouse (March 31, 2020 – $6,492).

As at June 30, 2020, the Company had advanced $2,450 to PharmHouse pursuant to a secured demand promissory note (March 31, 2020 – $2,450). The demand promissory note is non-interest bearing both before and after demand or default. Based on the terms of the demand promissory note, the Company has recognized the demand promissory note as a financial asset initially recorded at fair value and subsequently measured at amortized cost.

Please refer to Note 7(c) for additional details on the Company's investments in PharmHouse.

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

7. 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	June 30, 2020 Ownership Interest (Non-Diluted)
Radicle (Associate)	Vertically-integrated cannabis operations	Common shares	Canada	Equity method	7(a)	25%(i)
		Royalty interest		FVTPL	8(c)	
		Convertible debenture		FVTPL	8(c)	
		Warrants		FVTPL	8(c)	
Civilized (Associate)	Media company and lifestyle brand	Convertible debenture	Canada	FVTPL	7(b) 8(e)	0%(ii)
		Warrants		FVTPL	8(e)	
PharmHouse (Joint Venture)	Vertically-integrated cannabis operations	Common shares	Canada	Equity method	7(c)	49%(iii)
		Shareholder loan		Amortized cost	6	
		Promissory note		Amortized cost	6	
Canapar (Associate)	Hemp-derived CBD extraction	Common shares	Italy	Equity method	7(d)	49%(iv)
		Call option		FVTPL	8(f)	
Greenhouse Juice (Associate)	Plant-based beverage production and distribution	Convertible debentures	Canada	FVTPL	7(e) 8(g)	0%(v)
		Warrants		FVTPL	8(g)	
Herbert (Associate)	Adult-use cannabis beverage production and distribution	Preferred shares	Canada	Equity method	7(f)	27%(vi)
		Warrant		FVTPL	8(h)	
LeafLink Intl. (Associate)	B2B supply chain and marketplace technology platform	Common shares	Canada	Equity method	7(g)	17%(vii)
High Beauty (Associate)	Cannabis beauty products production and distribution	Preferred shares	United States	Equity method	7(h)	21%(viii)
		Convertible promissory note		FVTPL	8(i)	
		Warrants		FVTPL	8(i)	

(i) The Company owns 24% of the equity of Radicle on a fully diluted basis and has the right to designate 20% of the director nominees.

(ii) As at June 30, 2020, 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 45% 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.

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

(v) As at June 30, 2020, the Company does not hold any voting shares in Greenhouse Juice. The Company has provided debt financing in the form of convertible debentures and holds warrants in Greenhouse Juice that together, if exercised, represent approximately 26% 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 25% 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.

(vii) The Company owns 17% 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 21% 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 three months ended June 30, 2020, and June 30, 2019.

Entity	Balance at April 1, 2020	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Impairment expense	Balance at June 30, 2020
Radicle	$ 1,937	$ -	$ 1,123[(1)]	$ -	$ -	$ -	$ 3,060
PharmHouse	37,025	-	(4,418)	-	-	-	32,607
Canapar	8,500	-	(329)	-	-	-	8,171
Herbert	100	-	(100)	-	-	-	-
LeafLink Intl.	2,481	-	(40)	-	-	-	2,441
High Beauty	500	-	(221)	-	(23)	-	256
Total	**$ 50,543**	**$ -**	**$ (3,985)**	**$ -**	**$ (23)**	**$ -**	**$ 46,535**

(1) The Company's share of income relating to its investment in Radicle noted above includes an adjustment of $1,346 related to Radicle's 2019 financial statement audit.

Entity	Balance at April 1, 2019	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Impairment expense	Balance at June 30, 2019
Radicle	$ 3,472	$ -	$ (508)	$ -	$ -	$ -	$ 2,964
PharmHouse	39,278	-	(242)	-	-	-	39,036
Canapar	18,062	-	(177)	-	-	-	17,885
Herbert	1,406	-	(40)	-	-	-	1,366
LeafLink Intl.	2,673	-	(1)	-	(35)	-	2,637
High Beauty	-	2,867	-	-	(55)	-	2,812
Total	**$ 64,891**	**$ 2,867**	**$ (968)**	**$ -**	**$ (90)**	**$ -**	**$ 66,700**

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.

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

As at and for the three months ended June 30, 2020							
Entity	**Applicable reporting period**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Income / (loss)**
Radicle	Mar. 31, 2020	$ 5,915	$ 9,347	$ 964	$ 10,707	$ 1,673	$ (877)
PharmHouse	Mar. 31, 2020	9,193	167,022	67,863[(1)]	97,776[(1)]	-	(9,019)
Canapar	Mar. 31, 2020	14,006	11,328	2,126	-	-	(669)
Herbert	Mar. 31, 2020	245	1,011	542	-	-	(376)
LeafLink Intl.	Mar. 31, 2020	2,914	11,884	138	-	3	(288)
High Beauty	Mar. 31, 2020	1,158	328	2,569	825	257	(1,067)

(1) The Company has adjusted the reported current and non-current liabilities of PharmHouse to include $17,600 relating to the additional draw down of the PharmHouse Credit Facility (as defined below) since March 31, 2020, which was used to pay down existing accounts payable, as it was determined to be a significant transaction after the applicable reporting period.

As at and for the three months ended June 30, 2019							
Entity	**Applicable reporting period**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Income / (loss)**
Radicle	Mar. 31, 2019	$ 8,046	$ 9,900	$ 816	$ 7,977	$ 2,095	$ (1,630)
PharmHouse	Mar. 31, 2019	5,655	114,255	15,088	84,813	-	(492)
Canapar	Mar. 31, 2019	18,703	7,827	60	-	-	(161)
Herbert	Mar. 31, 2019	1,621	79	121	-	-	(148)
LeafLink Intl.	Mar. 31, 2019	2,638	-	7	-	-	(6)
High Beauty	Mar. 31, 2019	294	4	3	176	28	(220)

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 three months ended June 30, 2020								
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	Mar. 31, 2020	$ 7,816	$ 59,336	$ 97,776	$ 1,621	$ 12	$ -	$ -

The Company assessed its investments in associates and joint venture for indicators of impairment as at June 30, 2020, and, where indicators were present, conducted additional analysis to determine whether the carrying values of the relevant equity investments were greater than the corresponding recoverable amounts. The Company concluded that no impairment charges were to be recognized for the three months ended June 30, 2020 (three months ended June 30, 2019 - $nil). Please refer to the Annual Financial Statements for details on the impairment testing performed as at March 31, 2020 and impairment charges recognized.

INVESTMENTS HELD AS AT MARCH 31, 2020

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 June 30, 2020, the Company owned 17,588,424 common shares of Radicle (March 31, 2020 – 17,588,424 common shares), representing a 25% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in Radicle. The Company had also advanced $1,000 to Radicle pursuant to a convertible debenture and owned common share purchase warrants. Together, the Company's investments represented a 24% equity interest in Radicle on a fully diluted basis as at June 30, 2020.

The convertible debenture and warrants are accounted for at FVTPL. Please refer to Note 8(c) 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 June 30, 2020, the Company had advanced $5,120 to Civilized pursuant to a convertible debenture agreement (March 31, 2020 – $5,120), which was convertible into 467,580 class A common shares of Civilized (March 31, 2020 – 467,580 class A common shares). The Company also held common share purchase warrants in Civilized. 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 June 30, 2020.

The convertible debenture and warrants are accounted for at FVTPL. Please refer to Note 8(e) for additional details on the Company's investment in Civilized.

c) PharmHouse

PharmHouse, a joint venture between the Company and 2615975 Ontario Limited (the "PharmHouse JV Partner"), is a company licensed to cultivate cannabis under the Cannabis Act.

As at June 30, 2020, the Company owned 10,998,660 common shares of PharmHouse (March 31, 2020 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in PharmHouse. The Company had also advanced $40,000 to PharmHouse in the form of a shareholder loan and $2,450 in the form of a demand promissory note. Please refer to Note 6 for additional details on the Company's investments in PharmHouse.

As at June 30, 2020, PharmHouse had entered a syndicated credit agreement with amended terms (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 $90,000 (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. Accordingly, if PharmHouse is not able to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, the Company may be required to recognize a financial liability relating to all or a portion of its guarantee on the facility. The PharmHouse Credit Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company. Please refer to Note 16 for further information on the Company's investment in PharmHouse.

d) Canapar

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

As at June 30, 2020, the Company owned 29,833,333 common shares of Canapar (March 31, 2020 – 29,833,333), representing a 49% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in Canapar. The Company also owned 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 8(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.

As at June 30, 2020, the Company had advanced $6,000 to Greenhouse Juice pursuant to a secured convertible debenture agreement (March 31, 2020 – $6,000) and $3,000 to Greenhouse Juice pursuant to an unsecured convertible debenture agreement (March 31, 2020 – $3,000), and owned preferred share purchase warrants. The secured convertible debenture, unsecured convertible debenture, and warrants are currently exercisable and, if exercised, would together represent approximately 26% of the equity of Greenhouse Juice on a fully diluted basis as at June 30, 2020. The Company also owned an additional control warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51%.

On April 30, 2020, the Company and Greenhouse Juice amended select terms of the unsecured convertible debenture agreement. As a result of the agreed-upon amendments, the date upon which the outstanding principal converts into common shares was extended from April 30, 2020, to August 17, 2020.

The secured convertible debenture, unsecured convertible debenture, and warrants are accounted for at FVTPL. Please refer to Note 8(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 June 30, 2020, the Company owned 4,074,074 preferred shares of Herbert (March 31, 2020 – 4,074,074), representing a 27% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its preferred share investment in Herbert. The Company also owned 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 8(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 June 30, 2020, the Company owned 2,000,000 common shares of LeafLink Intl. (March 31, 2020 – 2,000,000), representing a 17% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in LeafLink Intl.

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 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.

As at June 30, 2020, the Company owned 2,500,000 preferred shares of High Beauty (March 31, 2020 – 2,500,000). The Company had not yet received any distributions on account of its preferred share investment in High Beauty. The Company had also advanced $1,009 to High Beauty pursuant to a senior secured convertible promissory note and owned preferred share purchase warrants. Together, the Company's investments represented a 21% equity interest in High Beauty on a fully diluted basis as at June 30, 2020.

The convertible promissory note and warrants are accounted for at FVTPL. Please refer to Note 8(i) for additional details on the Company's investment in High Beauty.

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following tables outline changes in financial assets measured at FVTPL for the three months ended June 30, 2020, and June 30, 2019:

Entity	Instrument	Note	Balance at Mar. 31, 2020	Additions	Net change in fair value	Dispositions	Balance at June. 30, 2020	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Royalty interest	8(a)	$ 12,600	$ -	$ 200	$ -	$ 12,800	$ 65	$ 1,650
Radicle	Royalty interest	8(c)	4,000	-	100	-	4,100	82	71
Radicle	Convertible debenture	8(c)	880	-	-	-	880	30	59
Radicle	Warrants	8(c)	50	-	-	-	50	-	-
Vert Mirabel	Preferred shares	8(d)	20,000	-	800	-	20,800	-	-
Civilized	Convertible debenture	8(e)	2,100	-	(1,100)	-	1,000	-	-
Canapar	Call option	8(f)	$1,100	-	-	-	1,100	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	7,500	-	-	-	7,500	207	1,130
Greenhouse Juice	Unsecured convertible debenture	8(g)	3,000	-	-	-	3,000	-	-
Greenhouse Juice	Warrants	8(g)	390	-	-	-	390	-	-
High Beauty	Convertible promissory note	8(i)	850	-	(10)	-	840	-	-
High Beauty	Warrants	8(i)	90	-	(30)	-	60	-	-
BioLumic	Convertible promissory note	8(j)	2,400	-	-	-	2,400	-	-
Tweed Tree Lot	Royalty interest	8(k)	15,100	-	-	-	15,100	713	713
TerrAscend Canada	Term Loan	8(l)	10,000	-	1,200	-	11,200	198	561
TerrAscend	Warrants II	8(l)	110	-	10	-	120	-	-
Dynaleo	Convertible debenture	8(m)	-	1,613	387	-	2,000	-	-
Dynaleo	Warrants	8(m)	-	387	73	-	460	-	-
Total			**$ 80,170**	**$ 2,000**	**$ 1,630**	**$ -**	**$ 83,800**	**$ 1,295**	**$ 4,184**

(1) Note: As at June 30, 2020, the Company also owned common share purchase warrants of Agripharm, Herbert, JWC, and Civilized, which are not included in the table above as the estimated fair values of the investments were $nil at both the beginning and the end of the reporting period.

Included in interest and royalty receivable on the condensed interim consolidated statement of financial position as at June 30, 2020, is $7,697 relating to the Company's shareholder loan with PharmHouse and $22 relating to the Company's interest receivable from cash deposits held.

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

Entity	Instrument	Note	Balance at Mar. 31, 2019	Additions	Net change in fair value	Dispositions	Balance at Jun. 30, 2019	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Repayable debenture/ royalty interest	8(a)	$ 10,255	$ 3,000	$ 806	$ -	$ 14,061	$ 244	$ 244
Agripharm	Warrant	8(a)	461	-	(229)	-	232	-	-
JWC	Royalty interest	8(b)	2,644	-	(4)	-	2,640	122	122
JWC	Warrants	8(b)	824	-	(501)	-	323	-	-
Radicle	Royalty interest	8(c)	5,064	-	(8)	-	5,056	220	461
Vert Mirabel	Preferred shares	8(d)	16,994	-	964	-	17,958	-	-
Civilized[(1)]	Convertible debenture	8(e)	4,250	-	(576)	-	3,674	-	-
Civilized	Warrants	8(e)	760	-	(434)	-	326	-	-
Canapar	Call option	8(f)	7,500	-	(400)	-	7,100	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	5,853	-	2,109	-	7,962	183	333
Greenhouse Juice	Unsecured convertible debenture	8(g)	-	3,000	5	-	3,005	-	-
Greenhouse Juice	Warrants	8(g)	-	-	339	-	339	-	-
Herbert	Warrant	8(h)	100	-	-	-	100	-	-
High Beauty	Warrant	8(i)	-	468	66	-	534	-	-
BioLumic	Convertible promissory note	8(j)	-	2,024	4	-	2,028	-	-
Total			**$ 54,705**	**$ 8,492**	**$ 2,141**	**$ -**	**$ 65,338**	**$ 769**	**$ 1,160**

(1) Pursuant to the amended Civilized agreement discussed in Note 8(e), it was determined that the convertible debenture interest receivable would 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.

INVESTMENTS HELD AS AT MARCH 31, 2020

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 June 30, 2020, the Company had advanced $20,000 to Agripharm that was subject to a royalty agreement (March 31, 2020 – $20,000). Under the terms of the royalty agreement, the Company is intended to 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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

As at June 30, 2020, 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 June 30, 2020, the warrant was estimated to have a nominal value (March 31, 2020 – nominal).

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 NEX under the trading symbol "JWCA.H".

On April 1, 2020, the Ontario Superior Court of Justice (Commercial List) (the "Court") issued an initial order under the *Companies' Creditors Arrangement Act* (the "CCAA") in order to restructure JWC's business and financial affairs and subsequently approved a Sales and Investor Solicitation Process (the "SISP") which was carried out under the supervision of a Court-approved monitor. In connection with the CCAA proceedings, the royalty agreement between the Company and JWC was terminated as of May 8, 2020. On May 19, 2020, JWC announced the conclusion of the SISP and that Trichome Financial Corp. ("Trichome") emerged as the successful bidder. On June 2, 2020, the Court approved the sale of substantially all of JWC's assets to an affiliate of Trichome as contemplated by the SISP.

As at June 30, 2020, the Company owned 16,241,819 common shares of JWC (March 31, 2020 – 16,241,819). The Company has elected to account for its investment in the common shares of JWC initially at fair value and subsequently at FVTOCI. Please refer to Notes 9(a) and 13 for additional details on valuation methodology and key inputs and assumptions.

As at June 30, 2020, the Company also owned 2,190,476 common share purchase warrants of JWC (March 31, 2020 – 2,190,476). The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As a result of the CCAA proceedings, as at June 30, 2020, the warrants were estimated to have a nominal value (March 31, 2020 – nominal).

c) Radicle

As at June 30, 2020, the Company had advanced $5,000 to a wholly-owned subsidiary of Radicle pursuant to a royalty agreement (March 31, 2020 – $5,000). Under the terms of the royalty agreement, the Company is intended to 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 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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

As at June 30, 2020, the Company had advanced $1,000 to Radicle pursuant to a convertible debenture agreement (March 31, 2020 – $1,000) and received 266,667 common share purchase warrants. The convertible debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL, while the attached warrants represent a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions

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 June 30, 2020, the Company had subscribed for 15,000,000 class A preferred shares of Vert Mirabel (March 31, 2020 – 15,000,000) at $1.00 per share, for a total investment of $15,000 (March 31, 2020 – $15,000). Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

As at June 30, 2020, the Company also owned 26% of the common shares of Vert Mirabel (March 31, 2020 – 26%). On initial recognition, the Company elected to account for its investment in the common shares of Vert Mirabel initially at fair value and subsequently at FVTOCI. Please refer to Notes 9(c) and 13 for additional details on valuation methodology and key inputs and assumptions.

e) Civilized

As described in Note 7(b), as at June 30, 2020, the Company had advanced $5,120 to Civilized pursuant to a convertible debenture agreement (March 31, 2020 – $5,120) and owned common share purchase warrants. The convertible debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

As at June 30, 2020, the Company also owned 221,239 common share purchase warrants of Civilized (March 31, 2020 – 221,239). The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at June 30, 2020, the warrants were estimated to have a nominal value (March 31, 2020 – nominal).

f) Canapar

As described in Note 7(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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

g) Greenhouse Juice

As described in Note 7(e), as at June 30, 2020, the Company had advanced $6,000 to Greenhouse Juice pursuant to a secured convertible debenture agreement and $3,000 pursuant to an unsecured convertible debenture agreement. The Company also owned 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).

Both the secured convertible debenture and unsecured convertible debenture represent financial assets that are initially measured at fair value and are subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

The preferred share purchase warrants and control warrant represent derivative financial instruments that are initially measured at fair value and are subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions

h) Herbert

As described in Note 7(f), as at June 30, 2020, 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 June 30, 2020, the fair value of the control warrant was estimated to have a nominal value (March 31, 2020 – nominal).

i) High Beauty

As described in Note 7(h), as at June 30, 2020, the Company had advanced $1,009 (U.S. $750) to High Beauty pursuant to a senior secured convertible promissory note (March 31, 2020 – $1,009 (U.S. $750)) and owned preferred share purchase warrants.

The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL, while the warrants represent a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

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.

As at June 30, 2020, the Company had advanced $2,024 (U.S. $1,500) to BioLumic pursuant to a convertible promissory note (March 31, 2020 – $2,024 (U.S. $1,500)). The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

k) Tweed Tree Lot

As at June 30, 2020, the Company advanced $13,500 to Tweed Tree Lot that was subject to a royalty agreement (March 31, 2020 – $13,500). Under the terms of the royalty agreement, the Company is intended to 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 $2,853.

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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

l) TerrAscend Canada

TerrAscend Canada Inc. ("TerrAscend Canada") is a wholly-owned subsidiary of TerrAscend Corp. (described in Note 9(b)). TerrAscend Canada is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the Cannabis Act.

As at June 30, 2020, the Company had advanced $13,243 (U.S. $10,000) to TerrAscend Canada pursuant to a term loan (March 31, 2020 – $13,243 (U.S. $10,000)) and owned two sets of common share purchase warrants in TerrAscend.

The term loan carries a principal amount of $13,243 (U.S. $10,000) 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 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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

NEW INVESTMENTS DURING THE THREE MONTHS ENDED JUNE 30, 2020

m) Dynaleo

On April 6, 2020, the Company invested $2,000 in Dynaleo Inc. ("Dynaleo"), an Alberta-based manufacturer that is focused on white-label manufacturing of cannabis-infused gummies for the Canadian market, pursuant to an unsecured convertible debenture. The debenture bears interest at a rate of 8% per annum, calculated and compounded monthly and payable at maturity. The debenture is convertible, upon the occurrence of certain events into common shares of Dynaleo. The Company was also issued 1,000,000 common share purchase warrants with an exercise price of $1.4245 per common share. Upon conversion of the debenture, together with the warrants, the investment represents an equity interest of approximately 12% on a fully diluted basis.

The convertible debenture and warrants represent financial assets that are initially measured at fair value and are subsequently measured at FVTPL. Upon initial recognition, the total cost of the investment in Dynaleo of $2,000 was bifurcated between the convertible debenture and the warrants based on the relative fair value approach, using the Black Scholes option pricing model to value the warrants. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

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

9. 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 13. Please refer below for further details on these investments.

The following tables outline changes in financial assets measured at FVTOCI for the three months ended June 30, 2020, and June 30, 2019:

Entity	Instrument	Note	Balance at Mar. 31, 2020	Additions	Net change in fair value	Dispositions	Balance at June 30, 2020
JWC	Common shares	9(a)	$ 976	$ -	$ (976)	$ -	$ -
TerrAscend	Exchangeable Shares	9(b)	23,500	-	3,000	-	26,500
Vert Mirabel	Common shares	9(c)	19,900	-	9,500	-	29,400
YSS	Common shares	9(e)	1,523	-	-	-	1,523
Headset	Preferred shares	9(f)	4,500	-	(200)	-	4,300
ZeaKal	Preferred shares	9(g)	14,200	-	(600)	-	13,600
Total			**$ 64,599**	**$ -**	**$ 10,724**	**$ -**	**$ 75,323**

(2) Note: As at June 30, 2020, the Company also owned common shares of Eureka, which are not included in the table above as the estimated fair value of the investment was $nil at both the beginning and the end of the reporting period.

Entity	Instrument	Note	Balance at Mar. 31, 2019	Additions	Net change in fair value	Dispositions	Balance at June 30, 2019
JWC	Common shares	9(a)	$ 12,389	$ -	$ (3,629)	$ -	$ 8,760
TerrAscend	Exchangeable Shares	9(b)	80,000	-	(10,000)	-	70,000
Vert Mirabel	Common shares	9(c)	34,486	-	9,381	-	43,867
Eureka	Common shares	9(d)	2,170	-	(1,085)	-	1,085
YSS	Common shares	9(e)	4,244	-	(762)	-	3,482
Headset	Preferred shares	9(f)	4,009	-	(83)	-	3,926
ZeaKal	Preferred shares	9(g)	-	13,487	(400)	-	13,087
Total			**$ 137,298**	**$ 13,487**	**$ (6,578)**	**$ -**	**$ 144,207**

INVESTMENTS HELD AS AT MARCH 31, 2020

(a) JWC

As described in Note 8(b), as at June 30, 2020, the Company owned 16,241,819 common shares of JWC (March 31, 2020 – 16,241,819), representing a 13% equity interest on a fully diluted basis. As at June 30, 2020, holders of JWC's common shares are not anticipated to receive any payments for, or distributions on, their common shares in connection with JWC's CCAA proceedings.

(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 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 June 30, 2020, the Company owned 19,445,285 conditionally exchangeable shares in the capital of TerrAscend (the "Exchangeable Shares") (March 31, 2020 – 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. 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. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(c) Vert Mirabel

As at June 30, 2020, the Company owned 26% of the common shares of Vert Mirabel (March 31, 2020 – 26%). Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(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".

As at June 30, 2020, the Company owned 321,278 common shares of Eureka (March 31, 2020 – 321,278), representing a less than 1% equity interest on a fully diluted basis.

On March 12, 2020, a judge approved Eureka's Notice of Intention to Make a Proposal ("NOI") under Section 50.4(1) of the Bankruptcy and Insolvency Act. As at June 30, 2020, trading of the common shares of Eureka on the CSE was suspended and the Company's investment in Eureka common shares was estimated to have a nominal value (March 31, 2020 – nominal).

(e) YSS

YSS Corp.™ ("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™ and Sweet Tree™ brands, YSS intends to grow a sustainable retail cannabis business in Western Canada and is exploring opportunities to develop a retail presence in Ontario.

As at June 30, 2020, the Company owned 10,883,333 common shares of YSS (March 31, 2020 – 10,883,333), representing a 7% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(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.

As at June 30, 2020, the Company owned 1,572,588 preferred shares of Headset (March 31, 2020 – 1,572,588), representing a 7% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(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.

As at June 30, 2020, the Company owned 248,473 preferred shares of ZeaKal (March 31, 2020 – 248,473), representing a 9% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

10. 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 1, 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.

CGC is the sole holder of the Multiple Voting Shares; if a Multiple Voting Share is transferred to a third party, other than a wholly-owned subsidiary of CGC, CGC will automatically be deemed to have exercised its right to convert such Multiple Voting Share into a fully-paid and non-assessable Subordinated Voting Share, on a one-for-one basis. In addition, all Multiple Voting Shares will automatically convert into Subordinated Voting Shares on the date on which CGC holds such number of Shares that represent, in aggregate, less than 12.5% of the total number of issued and outstanding Shares.

(b) Issued and outstanding

As at June 30, 2020, there were 36,468,318 Multiple Voting Shares and 153,466,922 Subordinated Voting Shares issued and outstanding.

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 months ended June 30, 2020, share purchase loans in the amount of $32 relating to the Subordinated Voting Shares held in trust by CGC on behalf of certain CGC employees were repaid (three months ended June 30, 2019 – $19). This resulted in the release from escrow of 638,891 Subordinated Voting Shares. As at June 30, 2020, share purchase loans relating to 7,866,665 of the original seed capital options have been repaid and 33,334 of the original seed capital options were forfeited, resulting in the release from escrow of 7,899,999 Subordinated Voting Shares (March 31, 2020 – 7,261,108).

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

Please refer to Note 10(c) for additional details on the seed capital options.

Subsequent financings

There were no financings during the three months ended June 30, 2020.

Details on the Company's historical financing activity prior to April 1, 2020 can be found in the Annual Financial Statements and the Company's other public filings available through the System for Electronic Document Analysis and Retrieval at www.sedar.com.

(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 generally 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 is estimated 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 are remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of Subordinated Voting 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:

Seed Capital Options	Initial Recognition	March 31, 2020	June 30, 2020
Share price	$0.05	$1.08	$1.02
Exercise price	$0.05	$0.05	$0.05
Risk-free interest rate	1.0%	0.5%	0.3%
Weighted average expected life (years)	2.7	0.2	0
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%
Expected forfeiture rate	0%	0%	0%

During the three months ended June 30, 2020, 638,891 seed capital options were exercised (three months ended June 30, 2019 – 377,775) and no seed capital options were forfeited (three months ended June 30, 2019 – nil).

During the three months ended June 30, 2020, the Company recognized $59 in share-based compensation expense related to seed capital options (three months ended June 30, 2019 – $861).

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

Consultant Options

As at March 31, 2020, the Company had 7,302,004 options to purchase Subordinated Voting Shares granted to employees of CGC and other consultants of the Company outstanding. During the three months ended June 30, 2020, the Company did not grant any options to purchase Subordinated Voting Shares to consultants of the Company (three months ended June 30, 2019 – nil). 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 generally 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 are 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:

Consultant Options	Initial Recognition	March 31, 2020	June 30, 2020
Share price	$0.60	$1.08	$1.02
Exercise price	$0.60	$0.60 – $3.50	$0.60 – $3.50
Risk-free interest rate	1.5%	0.5%	0.3%
Weighted average expected life (years)	3.0 – 4.0	0 – 3.6	1.4 – 3.4
Dividend yield	0%	0%	0%
Expected annualized volatility	70%	70%	70%
Expected forfeiture rate	0%	0%	0%

During the three months ended June 30, 2020, 100,000 consultant options were exercised at a weighted average exercise price of $0.60 for gross proceeds of $60 (three months ended June 30, 2019 – 111,665 consultant options exercised at a weighted average exercise price of $0.60 for gross proceeds of $67). During the three months ended June 30, 2020, 83,334 consultant options with a weighted average exercise price of $0.60 were forfeited (three months ended June 30, 2019 – nil) and 30,000 consultant options with a weighted average exercise price of $3.50 expired (three months ended June 30, 2019 – nil).

During the three months ended June 30, 2020, the Company recognized $(91) in share-based compensation expense (recapture) related to consultant options (three months ended June 30, 2019 – $2,003).

Employee and Director Options

As at March 31, 2020, the Company had 5,764,000 options to purchase Subordinated Voting Shares granted to employees and directors of the Company outstanding. During the three months ended June 30, 2020, the Company did not grant any options to purchase Subordinated Voting Shares to employees or directors of the Company (three months ended June 30, 2019 – 1,578,000). The options outstanding 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. 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 (the options are not subsequently remeasured):

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

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 months ended June 30, 2020, no employee and director options were exercised (three months ended June 30, 2019 – nil). During the three months ended June 30, 2020, 135,000 employee and director options with a weighted average exercise price of $3.28 were forfeited (three months ended June 30, 2019 – nil).

During the three months ended June 30, 2020, the Company recognized $824 in share-based compensation expense related to employee and director options (three months ended June 30, 2019 – $822).

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 had 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%

As at June 30, 2020, no former AIM2 options remained outstanding or exercisable (June 30, 2019 – 22,587 former AIM2 options outstanding and exercisable).

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

Stock Options Summary

The following tables summarize information about options outstanding as at June 30, 2020, and March 31, 2020:

	Options Outstanding				Options Exercisable		
June 30, 2020	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share(1)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share(1)
	$	#	# (years)	$	$	#	$
Seed capital	0.05	2,166,669	0.1	0.97	0.05	2,166.669	0.97
Consultant	1.84	7,088,670	2.7	0.30	1.39	3,673,671	0.35
Employee and director	2.93	5,629,000	3.4	1.47	$2.68	2,693,666	$1.29
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

	Options Outstanding				Options Exercisable		
March 31, 2020	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share(1)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share(1)
	$	#	# (years)	$	$	#	$
Seed capital	0.05	2,805,560	0.4	1.03	0.05	1,216,671	1.03
Consultant	1.82	7,302,004	3.0	0.36	1.37	3,870,338	0.41
Employee and director	2.94	5,764,000	3.7	1.47	$2.46	1,651,998	$1.17
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

(3) Note: Weighted average fair value per share is based on the estimated fair value of each option at the time of grant for options that are not remeasured each period.

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, 2020	15,871,564	$ 1.91
Granted	-	-
Exercised	738,891	0.12
Forfeited	218,334	2.26
Expired	30,000	3.50
Balance – June 30, 2020	**14,884,339**	**$ 1.99**

(d) Warrants

PharmHouse Warrants

In connection with the formation of PharmHouse described in Note 7(c), the Company issued 14,400,000 warrants to the PharmHouse JV Partner. The warrants are exercisable for a period of one year 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.

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

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, which formed part of the Company's cost base of its investment in PharmHouse common shares described in Note 7(c). 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 months ended June 30, 2020, no PharmHouse warrants were exercised (three months ended June 30, 2019 – nil).

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 had an exercise price of $2.66 per Subordinated Voting Share and were immediately 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%

As at June 30, 2020, no former AIM2 warrants remained outstanding or exercisable (June 30, 2019 – 9,450 former AIM2 warrants outstanding and exercisable).

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

Warrants Summary

The following tables summarize information about warrants outstanding as at June 30, 2020, and March 31, 2020:

	Warrants Outstanding				Warrants Exercisable		
June 30, 2020	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share(1)	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Fair Value per Share(1)
	$	#	# (years)	$	$	#	$
PharmHouse	2.00	14,400,000	0.7	1.98	2.00	14,400,000	1.98
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

	Warrants Outstanding				Warrants Exercisable		
March 31, 2020	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share(1)	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Fair Value per Share(1)
	$	#	# (years)	$	$	#	$
PharmHouse	2.00	14,400,000	2.3	1.98	n/a	-	n/a
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

(1) Note: Weighted average fair value per share is based on the estimated fair value of each warrant at the time of grant for warrants that are not remeasured each period.

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, 2020	14,400,000	$ 2.00
Granted	-	-
Exercised	-	-
Expired	-	-
Balance – June 30, 2020	**14,400,000**	**$ 2.00**

(e) Restricted Share Units

On March 18, 2020, the Company effected a restricted share unit plan (the "RSU Plan") for non-employee directors whereby the Company may grant restricted share units ("RSUs") for the purposes of promoting greater alignment of long-term interests between non-employee directors and the Company's shareholders, and to provide a compensation system that, together with the other director compensation mechanisms, is reflective of the responsibility, commitment, and risk accompanying membership on the Board and the performance of the duties required of the various committees of the Board. Pursuant to the RSU Plan, holders of the RSUs will be entitled to receive Subordinated Voting Shares at specified future dates and the maximum number of Subordinated Voting Shares issuable from treasury pursuant to outstanding RSUs shall not exceed 1% of the issued and outstanding Shares. RSUs issued under the RSU Plan generally become redeemable in increments, with one-third being redeemable for Subordinated Voting Shares on each of the first, second, and third anniversaries from the date of grant. RSUs may also be granted on a discretionary basis.

During the three months ended June 30, 2020, the Company did not grant any discretionary RSUs to non-employee directors (three months ended June 30, 2019 – nil).

During the three months ended June 30, 2020, the Company recognized $117 in share-based compensation expense related to the RSU Plan (three months ended June 30, 2019 – $nil).

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

RSUs Summary

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

	# of RSUs	Weighted Avg. Grant Price
Balance – March 31, 2020	356,308	$ 0.81
Granted	-	-
Redeemed	-	-
Balance – June 30, 2020	**356,308**	**$ 0.81**

(f) Normal Course Issuer Bid

On April 2, 2020, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 10,409,961 Subordinated Voting Shares, representing 10% of the Company's issued and outstanding Subordinated Voting Shares, in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The NCIB will expire on April 1, 2021.

Daily purchases are limited to 70,653 Subordinating Voting Shares, representing 25% of the average daily trading volume on the TSX over a specified period. The NCIB may be utilized at the sole discretion of the Company, with no contractual obligation to purchase any specified number of shares. All Subordinated Voting Share purchases made by the Company under the NCIB will be funded out of the Company's working capital and will be cancelled immediately.

During the three months ended June 30, 2020, the Company repurchased and cancelled a total of 109,100 Subordinated Voting Shares pursuant to the NCIB program for $125, at a weighted average acquisition price of $1.14 per share (three months ended June 30, 2019 – not applicable).

11. RELATED PARTY TRANSACTIONS

(a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board, who control approximately 3.4% of the Shares of the Company on a fully diluted basis as at June 30, 2020. Compensation provided to key management personnel is as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019
Share-based compensation	$ 624	$ 772
Salaries	298	435
Director fees	41	25

(b) Transactions with CGC

As at June 30, 2020, the Company has a $110 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 10(c) (March 31, 2020 – $140). In the event the loans are repaid by the employees/consultant, the related Subordinated Voting Shares will be issued, and the liability will be settled.

The Company has other intercompany amounts with CGC, which are nominal 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 6 and 7. Transactions and balances with associated entities of CGC are described and discussed in Notes 5, 8, and 9.

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

12. INCOME TAXES

For the three months ended June 30, 2020, the Company recognized income tax expense of $nil (three months ended June 30, 2019 – income tax expense of $432). Income tax expense of $nil is comprised of current income tax expense of $nil (three months ended June 30, 2019 – $81) and deferred income tax expense of $nil (three months ended June 30, 2019 – $351).

13. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's interest and royalty receivables, other receivables, finance lease receivable, and loan receivable. The Company is exposed to credit-related losses in the event of default by the counterparties. The Company provides financing and upfront capital to investees in the normal course of business and has evaluates and monitors counterparty credit to mitigate credit risk.

For the three months ended June 30, 2020, the Company recorded an increase to the provision for expected credit losses on its receivables of $5 (three months ended June 30, 2019 – $nil). The change in the Company's loss provision for the three months ended June 30, 2020, is primarily attributable to a decrease in outstanding balances for select royalty receivables, offset by an increase in the estimate of loss given default on select royalty receivables. There have been no material changes in the estimation techniques made during the current reporting period in assessing the loss allowance for interest and royalty receivable, other receivables, finance lease receivable, or loan receivable.

The Company is a guarantor for the syndicated PharmHouse Credit Facility discussed in Note 7(c) in the event of non-compliance with covenants or default. A deterioration in PharmHouse's credit worthiness, an inability to generate sufficient future cash flows, or a significant decrease in value of the PharmHouse Credit Facility security will expose the Company to risk of losses due to its guarantee. As at June 30, 2020, pursuant to the terms of the PharmHouse Credit Facility, PharmHouse may draw up to $90,000.

(b) 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).

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

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 June 30, 2020, of the Company's other financial instruments are determined:

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Financial assets – fair value through profit or loss				
Agripharm Royalty Interest	$12,800	$12,600	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty • Minimum annual payment *Key unobservable inputs:* • Cannabis production • Discount rate (38% at June 30, 2020; 35% at March 31, 2020)
Radicle Royalty Interest	$4,100	$4,000	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty • Minimum annual payment *Key unobservable inputs:* • Cannabis production • Discount rate (25% at June 30, 2020; 25% at March 31, 2020)
Radicle Convertible Debenture	$880	$880	**(Level 3):** FinCAD model (with a Black-Scholes option pricing model)	*Key observable inputs:* • Principal advanced • Conversion price ($0.60 at June 30, 2020; $0.60 at March 31, 2020) *Key unobservable inputs:* • Share price ($0.60 at June 30, 2020; $0.60 at March 31, 2020) • Implied credit spread (26% at June 30, 2020; 26% at March 31, 2020) • Expected annualized volatility (94% at June 30, 2020; 94% at March 31, 2020)
Radicle Warrants	$50	$50	**(Level 3):** Black-Scholes option pricing model	*Key observable inputs:* • Exercise price ($0.75 at June 30, 2020; $0.75 at March 31, 2020) *Key unobservable inputs:* • Share price ($0.60 at June 30, 2020; $0.60 at March 31, 2020) • Expected life • Expected annualized volatility (94% at June 30, 2020; 94% at March 31, 2020)

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

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Vert Mirabel Preferred Shares	$20,800	$20,000	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Dividend yield (18% (decreasing to 10%) at June 30, 2020; 18% (decreasing to 10%) at March 31, 2020) *Key unobservable inputs:* • Timing of greenhouse purchase • Timing of redemption • Discount rate (14% at June 30, 2020; 14% at March 31, 2020)
Civilized Convertible Debenture	$1,000	$2,100	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from sale of the asset	• N/A
Canapar Call Option	$1,100	$1,100	**(Level 3):** Simulation model using Geometric Brownian Motion	*Key observable inputs:* • Canadian dollar / Euro foreign exchange ("FX") rate *Key unobservable inputs:* • Company equity value per share ($0.28 at June 30, 2020; $0.28 at March 31, 2020) • Expected life (5 years at June 30, 2020; 5 years at March 31, 2020) • Expected volatility of company equity value (70% at June 30, 2020; 70% at March 31, 2020) • Projected EBITDA • Expected annualized volatility of EBITDA (30% at June 30, 2020; 30% at March 31, 2020) • Expected annualized volatility of FX rate (9% at June 30, 2020; 9% at March 31, 2020)
Greenhouse Juice Secured Convertible Debenture	$7,500	$7,500	**(Level 3):** FinCAD model (with a Black-Scholes option pricing model)	*Key observable inputs:* • Principal advanced • Conversion price ($1.51 at June 30, 2020; $1.51 at March 31, 2020) *Key unobservable inputs:* • Share price ($1.51 at June 30, 2020; $1.51 at March 31, 2020) • Implied credit spread (33% at June 30, 2020; 33% at March 31, 2020) • Expected annualized volatility (45% at June 30, 2020; 45% at March 31, 2020)
Greenhouse Juice Unsecured Convertible Debenture	$3,000	$3,000	**(Level 3):** Income approach – discounted cash flow (with a Monte Carlo simulation)	*Key observable inputs:* • Principal advanced *Key unobservable inputs:* • Conversion price (variable based on the achievement of certain revenue targets) • Share price ($1.51 at June 30, 2020; $1.51 at March 31, 2020) • Implied credit spread (7% at June 30, 2020; 7% at March 31, 2020) • Expected annualized volatility (45% at June 30, 2020; 45% at March 31, 2020)

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

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Greenhouse Juice Warrants	$390	$390	**(Level 3):** Monte Carlo simulation model (using Geometric Brownian Motion) and Black-Scholes option pricing model	*Key observable inputs:* • Exercise price ($2.16 (preferred share warrant), $6.49 (control warrant) as at June 30, 2020; $2.16 (preferred share warrant), $6.49 (control warrant) as at March 31, 2020) *Key unobservable inputs:* • Share price ($1.51 at June 30, 2020; $1.51 at March 31, 2020) • Expected life • Expected annualized volatility (45% at June 30, 2020; 45% at March 31, 2020)
High Beauty Warrants	$60	$90	**(Level 3):** Black-Scholes option pricing model	*Key observable inputs:* • Exercise price (original warrants) ($0.01 at June 30, 2020; $0.01 at March 31, 2020) *Key unobservable inputs:* • Exercise price (additional warrants) • Share price ($0.14 at June 30, 2020; $0.14 at March 31, 2020) • Expected life (1.9 years at June 30, 2020; 2.0 years at March 31, 2020) • Expected annualized volatility (63% at June 30, 2020; 63% at March 31, 2020)
High Beauty Convertible Promissory Note	$840	$850	**(Level 3):** FinCAD model (with a Monte Carlo simulation model using Geometric Brownian Motion)	*Key observable inputs:* • Principal advanced *Key unobservable inputs:* • Conversion price • Share price ($0.14 at June 30, 2020; $0.14 at March 31, 2020) • Implied credit spread (31% at June 30, 2020; 31% at March 31, 2020) • Expected annualized volatility (63% at June 30, 2020; 63% at March 31, 2020) • Timing and probability of qualified financing
BioLumic Convertible Promissory Note	$2,400	$2,400	**(Level 3):** Income approach – discounted cash flow (with a Monte Carlo simulation model using Geometric Brownian Motion)	*Key observable inputs:* • Principal advanced • Conversion price ($4.25 at June 30, 2020; $4.25 at March 31, 2020) • Risk-free interest rate (0.3% at June 30, 2020; 0.3% at March 31, 2020) *Key unobservable inputs:* • Share price ($4.25 at June 30, 2020; $4.25 at March 31, 2020) • Implied credit spread (31% at June 30, 2020; 31% at March 31, 2020) • Expected annualized volatility (41% at June 30, 2020; 41% at March 31, 2020) • Timing and probability of qualified financing
Tweed Tree Lot Royalty Interest	$15,100	$15,100	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty • Minimum annual payment *Key unobservable inputs:* • Cannabis production • Discount rate (20% at June 30, 2020; 20% at March 31, 2020)

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

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
TerrAscend Canada Term Loan	$11,200	$10,000	**(Level 3):** Income approach – discounted cash flow for the loan; Monte Carlo simulation model (using Geometric Brownian Motion) and Black-Scholes option pricing model for the attached warrants	*Key observable inputs:* • Principal advanced • Exercise price ($5.95 at June 30, 2020; $5.95 at March 31, 2020) • Share price ($2.87 at June 30, 2020; $2.49 at March 31, 2020) *Key unobservable inputs:* • Implied credit spread (11% at June 30, 2020; 15% at March 31, 2020) • Expected life • Expected annualized volatility (89% at June 30, 2020; 89% at March 31, 2020) • Expected timing of TerrAscend Triggering Event
TerrAscend Warrants II	$120	$110	**(Level 3):** Black-Scholes option pricing model	*Key observable inputs:* • Exercise price ($6.49 at June 30, 2020; $6.49 at March 31, 2020) • Share price ($2.87 at June 30, 2020; $2.49 at March 31, 2020) *Key unobservable inputs:* • Implied credit spread (11% at June 30, 2020; 15% at March 31, 2020) • Expected annualized volatility (89% at June 30, 2020; 89% at March 31, 2020) • Expected timing of TerrAscend Triggering Event
Dynaleo Convertible Debenture	$2,000	-	**(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, adjusted for relative fair value of convertible debenture and warrants as at date of investment	*Key observable inputs:* • Principal advanced • Conversion price *Key unobservable inputs:* • Share price • Discount rate
Dynaleo Warrants	$460	-	**(Level 3):** Black-Scholes option pricing model, adjusted for relative fair value of convertible debenture and warrants as at date of investment	*Key observable inputs:* • Exercise price ($1.42 at June 30, 2020; not applicable at March 31, 2020) *Key unobservable inputs:* • Share price ($1.42 at June 30, 2020; not applicable at March 31, 2020) • Expected life (1.4 years at June 30, 2020; not applicable at March 31, 2020) • Expected annualized volatility (70% at June 30, 2020; not applicable at March 31, 2020)
Total	**$83,800**	**$80,170**		
Financial assets – fair value through other comprehensive income				
JWC Common Shares	$nil	$976	**(Level 2):** Quoted share price, adjusted to reflect the impact of material information made available to the public	*Key observable inputs:* • As a result of JWC's CCAA proceedings, JWC has asserted that there is $nil value attributable to JWC's common shareholders

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

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
TerrAscend Exchangeable Shares	$26,500	$23,500	**(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	*Key observable inputs:* • Exercise price ($2.87 at June 30, 2020; $2.49 at March 31, 2020) • Share price ($2.87 at June 30, 2020; $2.49 at March 31, 2020) *Key unobservable inputs:* • Expected annualized volatility • Expected timing of TerrAscend Triggering Event
Vert Mirabel Common Shares	$29,400	$19,900	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key unobservable inputs:* • Cannabis production • Selling price per gram (long-term) • Production cost per gram • Discount rate (16.8% at June 30, 2020; 16.8% at March 31, 2020) • Discount for lack of marketability (20% at June 30, 2020; 20% at March 31, 2020)
YSS Common Shares	$1,523	$1,523	**(Level 1):** Quoted share price	N/A
Headset Preferred Shares	$4,300	$4,500	**(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	*Key observable inputs:* • Financing price • FX rate
ZeaKal Preferred Shares	$13,600	$14,200	**(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	*Key observable inputs:* • Financing price • FX rate
Total	**$75,323**	**$64,599**		
Financial assets – amortized cost				
PharmHouse Loan Receivable	Fair value: $39,900 Carrying value: $40,000	Fair value: $39,900 Carrying value: $40,000	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Principal advanced • Interest rate (12% at June 30, 2020; 12% at March 31, 2020) *Key unobservable inputs:* • Discount rate (12% at June 30, 2020; 12% at March 31, 2020)

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

	Fair value as at June 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
PharmHouse Demand Promissory Note	Fair value: $2,450 Carrying value: $2,450	Fair value: $2,450 Carrying value: $2,450	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Demand feature results in the fair value and carrying value equaling the principal amount advanced by the Company
Total	**Fair value: $42,350** **Carrying value: $42,450**	**Fair value: $42,350** **Carrying value: $42,450**		

As at June 30, 2020, the Company also owned common share purchase warrants of Agripharm, Civilized, JWC, and Herbert, as well as common shares in Eureka, which are not included in the table above as the estimated fair values of the investments were $nil at both the beginning and the end of the reporting period.

As at June 30, 2020, the total fair values by fair value hierarchy level are as follows:

<u>Financial assets</u>

- Level 1: $1,523 (March 31, 2020 – $1,523)
- Level 2: $nil (March 31, 2020 – $976)
- Level 3: $199,950 (March 31, 2020 – $193,720)

No transfers between fair value levels occurred during the three months ended June 30, 2020.

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.
  - 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 the Canapar call option).
  - Volatility of EBITDA: An increase in this input would result in a decrease in fair value (specific to the 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, with consideration of the following inputs:
  - 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 illustrative changes to the fair value of the financial instruments presented below have 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 the 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.

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

Investee	Instrument	Input	Assumption	Change	Impact
Agripharm	Royalty interest	Discount rate	37.5%	+ 2.5% (abs)	$(700)
Radicle	Royalty interest	Discount rate	25.0%	+ 2.5% (abs)	$(200)
	Convertible debenture	Credit spread	26.0%	+ 5.0% (abs)	$(35)
Tweed Tree Lot	Royalty interest	Discount rate	20.0%	+ 2.5% (abs)	$(1,500)
TerrAscend	Exchangeable Shares	Timing of TerrAscend Triggering Event	Probability curve	+ 1 year	$(333)
		Volatility	Various	+ 5.0% (abs)	$(1,578)
TerrAscend Canada	Term Loan	Credit spread	Various	+ 2.5% (abs)	$(907)
Vert Mirabel	Common shares	Production (kg)	Various	- 5.0%	$(3,540)
		Long-term price	Various	- 5.0%	$(890)
		Discount rate	16.8%	+ 2.5% (abs)	$(3,890)
	Preferred shares	Discount rate	14.3%	+ 2.5% (abs)	$(201)
Greenhouse Juice	Secured convertible debenture	Volatility	45.0%	- 5.0% (abs)	$(180)
		Expected life (yrs)	3.0	- 0.5 years	$(268)
		Credit spread	33.0%	+ 5.0% (abs)	$(216)
	Unsecured convertible debenture	Volatility	45.0%	- 5.0% (abs)	$(2)
		Credit spread	7.0%	+ 2.0% (abs)	$(4)
BioLumic	Convertible promissory note	Volatility	41.0%	- 5.0% (abs)	$(62)
		Credit spread	31.0%	+ 5.0% (abs)	$(59)
High Beauty	Convertible promissory note	Credit spread	30.7%	+ 5.0% (abs)	$(20)
Dynaleo	Warrants	Volatility	70.0%	- 5.0% (abs)	$(28)
		Expected life (yrs)	1.4	- 0.5 years	$(94)
		Volatility	70.0%	- 5.0% (abs)	$(33)

14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

In connection with the Company's investment in Greenhouse Juice as described in Note 7(e), the Company is required to exercise certain warrants with a face value of $3,000 upon the achievement of certain revenue targets.

An analysis of the Company's lease liability based on the minimum lease payments due on the Company's office space in Toronto on a non-discounted basis is as follows:

	As at June 30, 2020
No later than one year	$ 346
Between one year and five years	809
Later than five years	-
	$ 1,155

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

(b) Contingencies

As described in Note 4, 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 the 12 months ending December 31, 2020. The Company notes that a contingent liability exists at each reporting period with respect to the possible Brokerage Payments. Accordingly, as at June 30, 2020, the Company had a contingent liability of $1,695 (March 31, 2020 - $2,784).

15. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net income (or loss) of the Company by the weighted average number of Shares outstanding during the period. Diluted EPS is 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 Shares have been issued during the period.

The following tables set forth the calculation of basic and diluted EPS for the three months ended June 30, 2020, and 2019:

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Net loss	**Weighted avg. number of shares**	**EPS**	**Net loss**	**Weighted avg. number of shares**	**EPS**
Basic	$ (3,426)	189,498,022	$(0.02)	$ (2,966)	187,233,840	$(0.02)
Dilutive securities		-			-	
Diluted	**$ (3,426)**	**189,498,022**	**$(0.02)**	**$ (2,966)**	**187,233,840**	**$(0.02)**

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, for a variety of reasons, the previously anticipated timeline for PharmHouse to generate cash flows from its offtake agreements with CGC and TerrAscend was not met, and the ultimate timing and receipt of cash inflows pursuant to these agreements became uncertain. Taking into account these factors, as well as broader sector-wide challenges impacting the Canadian cannabis industry, including a slower-than-expected build-up of the market and a general imbalance of supply and demand, the Company believes that PharmHouse may have insufficient liquidity and capital resources to achieve its business objectives, and as a result, that there exists material uncertainty regarding PharmHouse's ability to meet its financial obligations as they become due.

Recognizing that potential conflicts of interest may arise given the relationship between the Company and PharmHouse's counterparties to these offtake agreements, the Board formed a special committee comprised of independent directors (the "Special Committee") to oversee and provide guidance relating to the Company's investment in PharmHouse, including: (a) PharmHouse's offtake agreements with CGC and TerrAscend; (b) the Company's guarantee of any obligations of PharmHouse (including the existing PharmHouse Credit Facility or any replacement or future facilities); (c) any transaction between PharmHouse and a related party of the Company; and (d) strategic alternatives for the Company regarding its investment in PharmHouse. These strategic alternatives may include, but are not limited to, any of the following:

- Provision of additional capital to PharmHouse in the form of any existing or new class of debt or equity;
- Renegotiation of any of PharmHouse's existing offtake agreements or other material contracts;
- The establishment of new partnerships or the attainment of additional third-party financing for PharmHouse; or
- Reorganizing or selling the Company's interests in PharmHouse.

In furtherance of its mandate, the Special Committee retained a financial advisor to assist it in assessing such strategic alternatives. In addition, based on the determination of the Special Committee, the Company has contributed, and expects that it will continue to be required to contribute, additional capital to finance PharmHouse's ongoing operations while the Special Committee assesses these strategic alternatives. While the Company is working towards a solution for its investment in PharmHouse that will be acceptable to the PharmHouse JV Partner, there is no guarantee that a consensus will be reached amongst the parties.

On August 5, 2020, the Board approved the Company's long term incentive plan ("LTIP"), which provides for the issuance of options, restricted share units, performance share units ("PSUs"), stock appreciation rights and restricted stock to officers, employees, and other eligible service providers of the Company, and 1,210,000 PSUs were granted to employees of the Company pursuant to the LTIP, in each case subject to shareholder and final TSX approval. The PSUs vest in three equal instalments on each of April 1, 2021, April 1, 2022, and April 1, 2023, generally subject to continued service, and, once vested, are redeemable, at the option of the holder, at any point between the vesting date and the fifth anniversary of the grant date, subject to earlier settlement in the event of termination of service. The number of PSUs that will be eligible to vest on a vesting date may be adjusted upwards based on the Subordinated Voting Share price performance between the grant date and the vesting date.