

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(IN CANADIAN DOLLARS)

CANOPY RIVERS INC.

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CANOPY RIVERS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| (Expressed in CDN \$000's) | Notes | As at September 30, 2019 | As at March 31, 2019 |
|---|-------|--------------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 82,779 | \$ 104,183 |
| Interest and royalty receivable | 7,9 | 5,332 | 3,080 |
| Other receivables | | 188 | 121 |
| Prepaid expenses and other assets | | 23 | 226 |
| | | 88,322 | 107,610 |
| Restricted cash | 5 | - | 12,000 |
| Finance lease receivable | 6 | 2,731 | 2,695 |
| Right-of-use assets | | 629 | - |
| Loan receivable | 7 | 40,000 | 40,000 |
| Equity method investees | 8 | 66,054 | 64,891 |
| Financial assets at fair value through profit or loss | 9 | 69,510 | 54,705 |
| Financial assets at fair value through other comprehensive income | 10 | 112,347 | 137,298 |
| Other long-term assets | | 79 | 86 |
| | | 291,350 | 311,675 |
| Total assets | | \$ 379,672 | \$ 419,285 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 2,352 | \$ 4,133 |
| Lease liability - current | | 143 | - |
| | | 2,495 | 4,133 |
| Lease liability - non-current | | 493 | - |
| Deferred tax liability | | 3,097 | 6,966 |
| | | 3,590 | 6,966 |
| | | 6,085 | 11,099 |
| Shareholders' equity | | | |
| Share capital | 11 | 284,401 | 281,320 |
| Share-based payment reserve | | 27,374 | 23,646 |
| Contributed surplus | | 58,609 | 58,609 |
| Retained earnings | | 3,203 | 44,611 |
| | | 373,587 | 408,186 |
| Total liabilities and shareholders' equity | | \$ 379,672 | \$ 419,285 |
| Commitments (Note 15) | | | |
| Subsequent events (Note 17) | | | |

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

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

| (Expressed in CDN \$000's, except for per share amounts) | Notes | Three months ended | | Six months ended | |
|---|-------|--------------------|--------------------|--------------------|--------------------|
| | | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| Operating income | | | | | |
| Income on finance lease receivable | 6 | \$ 164 | \$ 160 | \$ 327 | \$ 319 |
| Income on loan receivable | 7 | 1,222 | - | 2,431 | - |
| Share of loss from equity method investees | 8 | (682) | (1,289) | (1,650) | (1,348) |
| Income on financial assets at fair value | | | | | |
| through profit or loss | 9 | 785 | 403 | 1,554 | 706 |
| Net changes in fair value of financial assets at fair value | | | | | |
| through profit or loss | 9 | (559) | 23,999 | 953 | 24,284 |
| Net changes in fair value of off-market commitment | | - | - | - | 56 |
| Total operating income | | 930 | 23,273 | 3,615 | 24,017 |
| Operating expenses | | | | | |
| Consulting and professional fees | | 1,183 | 591 | 1,675 | 999 |
| General and administrative expenses | | 1,998 | 396 | 3,545 | 581 |
| Share-based compensation | 11 | 2,968 | 7,972 | 6,654 | 14,726 |
| Depreciation and amortization expense | | 43 | - | 85 | - |
| Total operating expenses | | 6,192 | 8,959 | 11,959 | 16,306 |
| Net operating income (loss) | | (5,262) | 14,314 | (8,344) | 7,711 |
| Other expenses | | | | | |
| Interest expense | | 9 | - | 19 | - |
| Other expenses (income), net | | (732) | 524 | (1,290) | 524 |
| Income (loss) before taxes | | (4,539) | 13,790 | (7,073) | 7,187 |
| Income tax expense (recovery) | 13 | (133) | 2,841 | 299 | 2,866 |
| Net income (loss) | | \$ (4,406) | \$ 10,949 | \$ (7,372) | \$ 4,321 |
| Other comprehensive income (loss) not subsequently reclassified to net income (loss) | | | | | |
| Net change in fair value of financial assets at fair value | | | | | |
| through other comprehensive income, net of tax of \$(4,313) | | | | | |
| and \$(5,196) (2018 - \$4,068 and \$3,706) | 8, 10 | (28,252) | 26,630 | (34,036) | 24,259 |
| Total comprehensive income (loss) | | \$ (32,658) | \$ 37,579 | \$ (41,408) | \$ 28,580 |
| Earnings (loss) per share - basic | 16 | \$ (0.02) | \$ 0.08 | \$ (0.04) | \$ 0.03 |
| Earnings (loss) per share - diluted | 16 | \$ (0.02) | \$ 0.07 | \$ (0.04) | \$ 0.03 |

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

| (Expressed in CDN \$000's) | Notes | Six months ended | |
|--|-------|-----------------------|-----------------------|
| | | September 30, 2019 | September 30, 2018 |
| Cash flows from operating activities | | | |
| Net income (loss) | | \$ (7,372) | \$ 4,321 |
| Adjustments for: | | | |
| Income on finance lease receivable | 6 | (327) | (319) |
| Share of loss from equity method investees | 8 | 1,650 | 1,348 |
| Net changes in fair value of financial assets at fair value through profit or loss | 9 | (953) | (24,284) |
| Net changes in fair value of off-market commitment | | - | (56) |
| Share-based compensation | 11 | 6,654 | 14,726 |
| Interest expense | | 19 | - |
| Income tax expense (recovery) | 13 | 299 | 2,866 |
| Other non-cash expenses (income) | | 85 | 49 |
| (Increase) / decrease in interest and royalty receivable | | (2,881) | (469) |
| (Increase) / decrease in other receivables | | (67) | (25) |
| (Increase) / decrease in prepaid expenses and other assets | | 188 | (469) |
| Increase / (decrease) in accounts payable and accrued liabilities | | (752) | 607 |
| Net cash used in operating activities | | \$ (3,457) | \$ (1,705) |
| Cash flows from investing activities | | | |
| Restricted cash reserve | 5 | 12,000 | - |
| Purchase of investments in equity method investees | 8 | (2,867) | (14,215) |
| Purchase of financial assets at fair value through profit or loss | 9 | (13,492) | (20,584) |
| Purchase of financial assets at fair value through other comprehensive income | 10 | (14,107) | (5,138) |
| Disposition of financial assets at fair value through other comprehensive income | 10 | 150 | - |
| Payment of lease principal | | (73) | - |
| Distributions from equity method investees | 8 | - | 405 |
| Payments from finance lease receivable | | 290 | 290 |
| Purchase of other long-term assets | | (3) | - |
| Net cash used in investing activities | | \$ (18,102) | \$ (39,242) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of Subordinated Voting Shares | 11 | - | 105,296 |
| Proceeds from exercise of stock options and warrants | 11 | 155 | 288 |
| Share issuance costs | | - | (5,091) |
| Net cash provided by financing activities | | \$ 155 | \$ 100,493 |
| Net increase (decrease) in cash | | \$ (21,404) | \$ 59,546 |
| Cash, beginning of fiscal period | | 104,183 | 46,299 |
| Cash, end of fiscal period | | \$ 82,779 | \$ 105,845 |

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

| (Expressed in CDN \$000's, except for share amounts) | Number of Multiple Voting Shares | Number of Subordinated Voting Shares | Share capital | Share-based payment reserve | Contributed surplus | Retained earnings | Shareholders' equity |
|--|--|--|-------------------|-----------------------------------|------------------------|----------------------|-------------------------|
| Balance at March 31, 2018 | 36,468,318 | 94,134,333 | \$ 80,959 | \$ 6,262 | \$ 30,045 | \$ 74,964 | \$ 192,230 |
| Equity financing – April 6, 2018 – net of share issue costs of \$nil | - | 454,545 | 500 | - | - | - | 500 |
| Repayment of share purchase loans – May 8, 2018 | - | - | 288 | - | - | - | 288 |
| Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans | - | 5,750,000 | 6,037 | (6,037) | - | - | - |
| Share-based compensation (Subordinated Voting Shares – seed capital) | - | - | - | 4,333 | - | - | 4,333 |
| Share-based compensation (Subordinated Voting Shares) | - | - | - | 2,421 | - | - | 2,421 |
| Other comprehensive loss | - | - | - | - | - | (2,371) | (2,371) |
| Net loss | - | - | - | - | - | (6,628) | (6,628) |
| Balance at June 30, 2018 | 36,468,318 | 100,338,878 | \$ 87,784 | \$ 6,979 | \$ 30,045 | \$ 65,965 | \$ 190,773 |
| Equity financing – April 6, 2018 – net of share issue costs of \$nil | - | - | - | - | - | - | - |
| Equity financing – July 6, 2018 – net of share issue costs of \$3,742 | - | 30,136,229 | \$ 101,735 | \$ - | \$ 88 | \$ - | \$ 101,823 |
| Share-based compensation (Subordinated Voting Shares – seed capital) | - | - | - | 1,938 | - | - | 1,938 |
| Share-based compensation (Subordinated Voting Shares) | - | - | - | 6,034 | - | - | 6,034 |
| Warrant Issuance (PharmHouse) | - | - | - | - | 28,512 | - | 28,512 |
| Other comprehensive income | - | - | - | - | - | 26,630 | 26,630 |
| Net income | - | - | - | - | - | 10,949 | 10,949 |
| Balance at September 30, 2018 | 36,468,318 | 130,475,107 | \$ 189,519 | \$ 14,951 | \$ 58,645 | \$ 103,544 | \$ 366,659 |
| 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 |
| Other comprehensive loss | - | - | - | - | - | (5,784) | (5,784) |
| Net loss | - | - | - | - | - | (2,966) | (2,966) |
| Balance at June 30, 2019 | 36,468,318 | 151,081,576 | \$ 282,807 | \$ 25,931 | \$ 58,609 | \$ 35,861 | \$ 403,208 |
| Repayment of share purchase loans | - | - | 29 | - | - | - | 29 |
| Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans | - | 583,333 | 1,322 | (1,322) | - | - | - |
| Exercise of options (excluding seed capital options) | - | 66,667 | 243 | (203) | - | - | 40 |
| Share-based compensation (Subordinated Voting Shares – seed capital) | - | - | - | 494 | - | - | 494 |
| Share-based compensation (Subordinated Voting Shares) | - | - | - | 2,474 | - | - | 2,474 |
| Other comprehensive loss | - | - | - | - | - | (28,252) | (28,252) |
| Net loss | - | - | - | - | - | (4,406) | (4,406) |
| Balance at September 30, 2019 | 36,468,318 | 151,731,576 | \$ 284,401 | \$ 27,374 | \$ 58,609 | \$ 3,203 | \$ 373,587 |

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

1. DESCRIPTION OF BUSINESS

Canopy Rivers Inc. (the "Company" or "Canopy Rivers"), formerly AIM2 Ventures Inc. ("AIM2"), is the parent company of Canopy Rivers Corporation (CRC, as defined below). The Company is controlled by Canopy Growth Corporation ("CGC"), a publicly-traded corporation listed on the Toronto Stock Exchange ("TSX") under the trading symbol "WEED" and on the New York Stock Exchange ("NYSE") under the trading symbol "CGC". Canopy Rivers is a venture capital firm specializing in cannabis. The Company works collaboratively with CGC to identify strategic counterparties seeking financial and/or operating support, and seeks to provide investor returns through dividends, interest, rent, royalties, and capital appreciation. Canopy Rivers is a publicly-traded corporation on the TSX under the trading symbol "RIV".

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

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

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

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

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

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

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

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on November 13, 2019.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

(b) Basis of measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 9, 10, and 14 for fair value considerations.

(c) Basis of preparation

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

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

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

The preparation of condensed interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the Annual Financial Statements.

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

(d) Principles of consolidation

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

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

As at September 30, 2019, the Company controlled the following legal entities:

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

The Company does not control any of its investees.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in CDN \$000's except share amounts)

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

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

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

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

Leases

For periods beginning from April 1, 2019:

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

Lessee

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in CDN \$000's except share amounts)

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

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

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

Lessor

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

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

4. REVERSE TAKE OVER TRANSACTION

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

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

5. CASH AND RESTRICTED CASH

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

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and described in Note 8(c)). During the six months ended September 30, 2019, certain events occurred that reduced this requirement; accordingly, the Company has no restricted cash as at September 30, 2019.

6. FINANCE LEASE RECEIVABLE

In August 2017, the Company acquired a building located in New Brunswick, Canada. The building was leased to Spot Therapeutics Inc. ("Spot"), 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 September 30, 2019 | As at March 31, 2019 |
|--------------------------------------|--------------------------------|----------------------------|
| Non-current finance lease receivable | \$ 2,731 | \$ 2,695 |
| Total | \$ 2,731 | \$ 2,695 |

Scheduled collections of minimum monthly lease payments based on the contractual terms as at September 30, 2019, and March 31, 2019, are presented in the following schedules:

| | As at September 30, 2019 | |
|--|---------------------------|-------------------------|
| | Minimum Lease Payments | Applied to Principal |
| No later than one year | \$ 563 | \$ (87) |
| Later than one year and not later than 5 years | 2,484 | (347) |
| Later than 5 years | 10,609 | 3,165 |
| | \$ 13,656 | \$ 2,731 |
| Less: Unearned finance income | (10,925) | - |
| Present value of minimum lease payments | \$ 2,731 | \$ 2,731 |
| Allowance for uncollectible lease payments | - | - |
| | \$ 2,731 | \$ 2,731 |

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

The unguaranteed residual value of the building under lease is estimated to be \$2,609 (March 31, 2019 – \$2,609). The interest rate inherent in the lease is fixed at the contract date for the entire lease term at a rate of approximately 23.4%.

Income on finance lease receivable of \$164 and \$327 (inclusive of management fee income) was recognized for the three and six months ended September 30, 2019, respectively (three and six months ended September 30, 2018 – \$160 and \$319, respectively). The finance lease receivable as at September 30, 2019, and March 31, 2019, is neither past due nor impaired.

7. LOAN RECEIVABLE

As at September 30, 2019, the Company has advanced \$40,000 of secured debt financing pursuant to a shareholder loan agreement with PharmHouse (March 31, 2019 – \$40,000). The debt has a three-year term and an annual interest rate of 12%, with interest calculated monthly (effective as at the date principal is

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advanced) and payable quarterly after receipt of the licence to sell cannabis at PharmHouse's initial production and processing facility. Interest income of \$1,222 and \$2,431 was recognized for the three and six months ended September 30, 2019, respectively (three and six months ended September 30, 2018 – \$nil). As at September 30, 2019, the Company has \$4,065 interest receivable relating to the Company's loan receivable from PharmHouse (March 31, 2019 – \$1,634).

Please refer to Note 8(c) for additional details on the Company's investment in PharmHouse.

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8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

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

| Name and Classification of Associate or Joint Venture | Intended Principal Activity | Nature of Investment | Place of Principal Business | Method of Accounting | Note | Current Ownership Interest (Non-Diluted) |
|---|--|------------------------|-----------------------------|----------------------|-----------|--|
| Radicle (Associate) | Vertically-integrated cannabis operations | Common shares | Canada | Equity method | 8(a) | 25% ⁽ⁱ⁾ |
| | | Royalty interest | | FVTPL | 9(c) | |
| Civilized (Associate) | Media company and lifestyle brand | Convertible debenture | Canada | FVTPL | 8(b) 9(e) | 0% ⁽ⁱⁱ⁾ |
| | | Warrants | | FVTPL | 9(e) | |
| PharmHouse (Joint Venture) | Vertically-integrated cannabis operations | Common shares | Canada | Equity method | 8(c) | 49% ⁽ⁱⁱⁱ⁾ |
| | | Loan receivable | | Amortized cost | 7 | |
| Canapar (Associate) | Hemp cultivation and CBD extraction | Common shares | Italy | Equity method | 8(d) | 49% ^(iv) |
| | | Call option | | FVTPL | 9(f) | |
| Greenhouse Juice (Associate) | Plant-based beverage production and distribution | Convertible debentures | Canada | FVTPL | 8(e) 9(g) | 0% ^(v) |
| | | Warrants | | FVTPL | 9(g) | |
| Herbert (Associate) | Adult-use cannabis beverage and edible production and distribution | Preferred shares | Canada | Equity method | 8(f) | 27% ^(vi) |
| | | Warrant | | FVTPL | 9(h) | |
| LeafLink Intl. (Associate) | B2B supply chain and marketplace technology platform | Common shares | Canada | Equity method | 8(g) | 18% ^(vii) |
| High Beauty (Associate) | Cannabis beauty products production and distribution | Preferred shares | United States | Equity method | 8(h) | 21% ^(viii) |
| | | Warrant | | FVTPL | 9(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 September 30, 2019, the Company does not hold any voting shares in Civilized. The Company has provided debt financing in the form of a convertible debenture and holds warrants in Civilized that together, if exercised, represent approximately 22% of the equity of Civilized on a fully diluted basis. Additionally, the Company has the right to designate 20% of the director nominees.
- (iii) The Company owns 49% of the equity of PharmHouse on a fully diluted basis and has the right to designate 40% of the director nominees.
- (iv) The Company owns 47% of the equity of Canapar Corp. on a fully diluted basis. Canapar Corp. is a private company incorporated in Canada that owns 100% of the issued and outstanding common shares of Canapar SrL, an Italian entity. Additionally, the Company has the right to designate one nominee to Canapar Corp.'s three-member board of directors; the Company's nomination right increases to two nominees in the event that the number of members of Canapar Corp.'s board of directors increases above five members.
- (v) As at September 30, 2019, the Company does not hold any voting shares in Greenhouse Juice. The Company has provided debt financing in the form of a convertible debenture and holds warrants in Greenhouse Juice that together, if exercised, represent approximately 25% of the equity of Greenhouse Juice on a fully diluted basis (excluding the control warrant, discussed below). Additionally, the Company has the right to designate 20% of the director nominees.
- (vi) The Company owns 23% of the equity of Herbert on a fully diluted basis (excluding the control warrant, discussed below) and has the right to designate 20% of the director nominees.
- (vii) The Company owns 18% of the equity of LeafLink Intl. on a fully diluted basis and has the right to designate 33% of the director nominees.
- (viii) The Company owns 18% of the equity of High Beauty on a fully diluted basis and has the right to designate 20% of the director nominees.

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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 six months ended September 30, 2019, and the twelve months ended March 31, 2019.

| Entity | Balance at April 1, 2019 | Additions | Share of loss | Dividend / interest income | FX gain / (loss) | Balance at September 30, 2019 |
|----------------|--------------------------|-----------------|-------------------|----------------------------|------------------|-------------------------------|
| Radicle | \$ 3,472 | \$ - | \$ (381) | \$ - | \$ - | \$ 3,091 |
| PharmHouse | 39,278 | - | (695) | - | - | 38,583 |
| Canapar | 18,062 | - | (259) | - | - | 17,803 |
| Herbert | 1,406 | - | (65) | - | - | 1,341 |
| LeafLink Intl. | 2,673 | - | (60) | - | (35) | 2,578 |
| High Beauty | - | 2,867 | (190) | - | (19) | 2,658 |
| Total | \$ 64,891 | \$ 2,867 | \$ (1,650) | \$ - | \$ (54) | \$ 66,054 |

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

The summarized financial information set out below represents amounts shown in the associates' and joint venture's financial statements prepared in accordance with IFRS (adjusted by the Company for accounting purposes). In accordance with *IAS 28, Investments in Associates and Joint Ventures*, the Company has elected to account for its investments in associates and joint venture one quarter in arrears. The amounts presented account for any significant transactions that have occurred since the indicated reporting period end.

As at and for the six months ended September 30, 2019

| Entity | Applicable reporting period | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenue | Income / (loss) |
|---------------|-----------------------------|----------------|--------------------|---------------------|-------------------------|----------|-----------------|
| Radicle | Jun. 30, 2019 | \$ 5,530 | \$ 10,350 | \$ 719 | \$ 8,263 | \$ 5,068 | \$ (1,111) |
| PharmHouse | Jun. 30, 2019 | 5,789 | 139,051 | 23,173 | 102,583 | - | (1,486) |
| Canapar | Jun. 30, 2019 | 16,294 | 10,010 | - | 1 | - | (328) |
| Herbert | Jun. 30, 2019 | 1,519 | 125 | 151 | - | - | (243) |
| LeafLink Intl | Jun. 30, 2019 | 2,310 | - | 3 | - | - | (330) |
| High Beauty | Jun. 30, 2019 | 2,422 | 333 | 37 | - | 25 | (914) |

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

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

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

As at and for the six months ended September 30, 2019

| Entity | Applicable reporting period | Cash and cash equivalents | Current financial liabilities | Non-current financial liabilities | Dep. / amort. | Interest income | Interest expense | Income tax expense / (recovery) |
|-------------|-----------------------------|---------------------------|-------------------------------|-----------------------------------|---------------|-----------------|------------------|---------------------------------|
| Pharm-House | Jun. 30, 2019 | \$ 3,477 | \$ 5,182 | \$ 102,853 | \$ 19 | \$ 18 | \$ - | \$ - |

The Company assessed its investments in associates and joint venture for indicators of impairment as at September 30, 2019, and March 31, 2019, and determined that no such indicators were present.

INVESTMENTS HELD AS AT MARCH 31, 2019
a) Radicle

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

As at September 30, 2019, the Company owned 17,588,424 common shares of Radicle (March 31, 2019 – 17,588,424 common shares), representing a 25% equity interest on a non-diluted basis.

For the three and six months ended September 30, 2019, the Company recognized its share of Radicle's net income/(loss) in the amount of \$127 and \$(381), respectively (three and six months ended September 30, 2018 – \$206 and \$265, respectively).

Please refer to Note 9(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 September 30, 2019, the Company had advanced \$5,000 to Civilized pursuant to a convertible debenture agreement (March 31, 2019 – \$5,000). During the six months ended September 30, 2019, the Company and Civilized amended the terms of the convertible debenture agreement. As a result of the agreed upon amendments, among other things, the date upon which interest accrued pursuant to the debenture becomes payable was extended, and the conversion price decreased. Accordingly, as at September 30, 2019, the principal amount advanced to Civilized is convertible into 456,812 class A common shares of Civilized (March 31, 2019 – 397,227 class A common shares). As part of the investment, the Company also received common share purchase warrants in Civilized. Both the convertible debenture and warrants are currently exercisable and, if exercised, would together represent approximately 22% of the equity of Civilized on a fully diluted basis as at September 30, 2019.

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The convertible debenture and warrants are accounted for at FVTPL. Please refer to Note 9(e) for additional details on the Company's investment in Civilized.

c) PharmHouse

PharmHouse Inc. ("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 September 30, 2019, the Company owned 10,998,660 common shares of PharmHouse (March 31, 2019 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis.

For the three and six months ended September 30, 2019, the Company recognized its share of PharmHouse's net loss in the amount of \$453 and \$695, respectively (three and six months ended September 30, 2018 – \$nil). For the three and six months ended September 30, 2019, the Company did not receive any distributions from PharmHouse (three and six months ended September 30, 2018 – \$nil).

As at September 30, 2019, the Company had also advanced additional capital to PharmHouse in the form of secured debt financing. Please refer to Note 7 for additional details on the shareholder loan to PharmHouse.

As at September 30, 2019, PharmHouse had entered a syndicated credit agreement (the "PharmHouse Credit Agreement") with a number of Canadian banks to provide PharmHouse with a committed, non-revolving credit facility with a maximum principal amount of \$80,000 (the "PharmHouse Credit Facility"). The obligations of PharmHouse under the PharmHouse Credit Facility are secured by guarantees of the Company and CRC, and a pledge by CRC of all of the shares of PharmHouse held by it. The PharmHouse Credit Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company.

d) Canapar

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

As at September 30, 2019, the Company owned 29,833,333 common shares of Canapar (March 31, 2019 – 29,833,333), representing a 49% equity interest on a non-diluted basis.

For the three and six months ended September 30, 2019, the Company recognized its share of Canapar's net loss in the amount of \$82 and \$259, respectively (three and six months ended September 30, 2018 – \$nil). For the three and six months ended September 30, 2019, the Company did not receive any distributions from Canapar (three and six months ended September 30, 2018 – \$nil).

The Company also owns a call option to purchase 100% of Canapar's interest in its investees. The call option is accounted for at FVTPL. Please refer to Note 9(f) for additional details on the Company's investment in Canapar.

e) Greenhouse Juice Company

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

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

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

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Accordingly, as at September 30, 2019, the Company had advanced \$6,000 to Greenhouse Juice pursuant to the Greenhouse Secured Debenture (March 31, 2019 – \$6,000) and \$3,000 to Greenhouse Juice pursuant to the Greenhouse Unsecured Debenture (March 31, 2019 – \$nil). The Greenhouse Secured Debenture, Greenhouse Unsecured Debenture, and warrants are currently exercisable and, if exercised, would together represent approximately 25% of the equity of Greenhouse Juice on a fully diluted basis as at September 30, 2019. In connection with its original investment in Greenhouse Juice, the Company also owns an additional warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51%.

The Greenhouse Secured Debenture, Greenhouse Unsecured Debenture, and warrants are accounted for at FVTPL. Please refer to Note 9(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 September 30, 2019, the Company owned 4,074,074 preferred shares of Herbert (March 31, 2019 – 4,074,074), representing a 27% equity interest on a non-diluted basis.

For the three and six months ended September 30, 2019, the Company recognized its share of Herbert's net loss in the amount of \$25 and \$65, respectively (three and six months ended September 30, 2018 – \$nil). For the three and six months ended September 30, 2019, the Company did not receive any distributions from Herbert (three and six months ended September 30, 2018 – \$nil).

The Company also owns a warrant that, if exercised, would increase its ownership interest in Herbert to 51%. The warrant is accounted for at FVTPL. Please refer to Note 9(h) for additional details on the Company's investment in Herbert.

g) LeafLink Intl

LeafLink Services International ULC ("LeafLink Intl.") is a new 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 September 30, 2019, the Company owned 2,000,000 common shares of LeafLink Intl. (March 31, 2019 – 2,000,000), representing an 18% equity interest on a non-diluted basis.

For the three and six months ended September 30, 2019, the Company recognized its share of LeafLink Intl.'s net loss in the amount of \$59 and \$60, respectively (three and six months ended September 30, 2018 – \$nil). For the three and six months ended September 30, 2019, the Company did not receive any distributions from LeafLink Intl. (three and six months ended September 30, 2018 – \$nil).

h) High Beauty

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

On April 2, 2019, the Company acquired 2,500,000 preferred shares of High Beauty at a price of \$1.33 per preferred share (U.S. \$1.00) for a total investment of \$3,335 (U.S. \$2,500), representing a 21% equity interest on a non-diluted basis. As part of the investment, the Company received a warrant to purchase 500,000 preferred shares of High Beauty at a price of U.S. \$0.01 per share. In connection with the investment, the Company also has the right to designate 20% of the nominees to High Beauty's board of directors.

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For the three and six months ended September 30, 2019, the Company recognized its share of High Beauty's net loss in the amount of \$190 (three and six months ended September 30, 2018 – \$nil).

The warrant is accounted for at FVTPL. Please refer to Note 9(i) for additional details on the Company's investment in High Beauty.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following tables outline changes in financial assets measured at FVTPL for the six months ended September 30, 2019, and twelve months ended March 31, 2019.

| Entity | Instrument | Note | Balance at Mar. 31, 2019 | Additions | Net change in fair value | Disposi-tions | Balance at Sep. 30, 2019 | Dividend / interest / royalty income | Dividend / interest / royalty receivable |
|--------------------------|--------------------------------------|------|--------------------------|------------------|--------------------------|-----------------|--------------------------|--------------------------------------|--|
| Agripharm | Repayable debenture/royalty interest | 9(a) | \$ 10,255 | \$ 8,000 | \$ 1,292 | \$ - | \$ 19,547 | \$ 521 | \$ 276 |
| Agripharm | Warrant | 9(a) | 461 | - | (375) | - | 86 | - | - |
| JWC | Royalty interest | 9(b) | 2,644 | - | (9) | - | 2,635 | 244 | 122 |
| JWC | Warrants | 9(b) | 824 | - | (555) | (269) | - | - | - |
| Radicle | Royalty interest | 9(c) | 5,064 | - | (12) | - | 5,052 | 414 | 194 |
| Vert Mirabel | Preferred shares | 9(d) | 16,994 | - | 1,688 | - | 18,682 | - | - |
| Civilized ⁽¹⁾ | Convertible debenture | 9(e) | 4,250 | - | (777) | - | 3,473 | - | - |
| Civilized | Warrants | 9(e) | 760 | - | (534) | - | 226 | - | - |
| Canapar | Call option | 9(f) | 7,500 | - | (1,500) | - | 6,000 | - | - |
| Greenhouse Juice | Secured convertible debenture | 9(g) | 5,853 | - | 2,029 | - | 7,882 | 375 | 525 |
| Greenhouse Juice | Unsecured convertible debenture | 9(g) | - | 3,000 | 9 | - | 3,009 | - | - |
| Greenhouse Juice | Warrants | 9(g) | - | - | 252 | - | 252 | - | - |
| Herbert | Warrant | 9(h) | 100 | - | (57) | - | 43 | - | - |
| High Beauty | Warrant | 9(i) | - | 468 | 69 | - | 537 | - | - |
| BioLumic | Convertible promissory note | 9(j) | - | 2,024 | 62 | - | 2,086 | - | - |
| Total | | | \$ 54,705 | \$ 13,492 | \$ 1,582 | \$ (269) | \$ 69,510 | \$ 1,554 | \$ 1,117 |

⁽¹⁾ Pursuant to the amended Civilized agreement discussed in Note 9(e), it is now expected that the convertible debenture interest receivable will not be recovered until maturity or conversion. The Company no longer recognizes interest receivable on the instrument, which was reported at \$629 as at March 31, 2019. The impact of this new estimate is included in the net change in fair value captured above.

Included in interest and royalty receivable on the condensed interim consolidated statement of financial position as at September 30, 2019, is \$4,065 relating to the Company's loan receivable with PharmHouse and \$150 relating to the Company's interest receivable from cash deposits held.

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

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

INVESTMENTS HELD AS AT MARCH 31, 2019
a) Agripharm

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

As at September 30, 2019, the Company had advanced \$17,000 to Agripharm pursuant to a repayable debenture agreement, \$9,000 of which had converted to a royalty interest (March 31, 2019 – the Company had advanced \$9,000 pursuant to the repayable debenture agreement, \$9,000 of which had converted to a royalty interest). In addition, as at September 30, 2019, the Company had also advanced \$3,000 to Agripharm pursuant to a royalty agreement (March 31, 2019 – \$3,000).

After considering the amounts drawn pursuant to the royalty agreement and the amounts drawn pursuant to the repayable debenture agreement that subsequently converted to a royalty interest, as at September 30, 2019, the Company had advanced \$12,000 to Agripharm that was subject to the royalty agreement and \$8,000 that was subject to the repayable debenture agreement (March 31, 2019 – \$12,000 and \$nil, respectively). Under the terms of the royalty agreement, the Company will receive a royalty per gram of applicable Agripharm cannabis production for a term of 20 years, subject to a minimum annual payment of 20% of the principal amount drawn that is subject to the royalty agreement.

The repayable debenture and royalty interest are accounted for as one instrument, which is measured at FVTPL based upon estimated future cash flows to be received under the repayable debenture agreement and royalty agreement discounted to present value at a market rate of interest. As at September 30, 2019, the fair value of

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the repayable debenture / royalty interest was estimated to be \$19,547 (March 31, 2019 – \$10,255). Please refer to Notes 14 for additional details.

As at September 30, 2019, the Company also owned a warrant to acquire 4% of Agripharm for \$5,000. The warrant represents a derivative financial instrument that is initially measured at fair value and subsequently measured at FVTPL. As at September 30, 2019, the fair value of the warrant was estimated to be \$86 (March 31, 2019 – \$461). The fair value of the warrant was estimated using a Black-Scholes option pricing model by applying the following assumptions:

| Agripharm Warrant Valuation | Initial Recognition | March 31, 2019 | September 30, 2019 |
|------------------------------------|----------------------------|-----------------------|---------------------------|
| Share price | \$32.88 | \$33.56 | \$33.56 |
| Exercise price | \$53.51 | \$53.51 | \$53.51 |
| Risk-free interest rate | 1.4% | 1.6% | 1.6% |
| Expected life (years) | 1.5 | 0.8 | 0.6 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 82% | 51% |

b) JWC

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

As at September 30, 2019, the Company had advanced \$2,500 to a wholly-owned subsidiary of JWC pursuant to a royalty agreement (March 31, 2019 – \$2,500). Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum annual payment of \$488. The royalty interest is being measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. As at September 30, 2019, the fair value of the royalty interest was estimated to be \$2,635 (March 31, 2019 – \$2,644). Please refer to Note 14 for additional details.

On August 9, 2019, the Company exercised 1,347,826 common share purchase warrants of JWC for an aggregate purchase price of \$620. Accordingly, as at September 30, 2019, the Company owned 13,860,867 common shares of JWC (March 31, 2019 – 12,513,041). The Company has elected to account for its investment in the common shares of JWC at FVTOCI at initial recognition. Please refer to Notes 10(a) and 14 for additional details.

As at September 30, 2019, the Company also owned 1,000,000 common share purchase warrants of JWC (March 31, 2019 – 2,347,826), after giving effect to the warrant exercise described above. The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the warrants were estimated to have a nominal value (March 31, 2019 – \$824). The fair value of the warrants was estimated using the Black-Scholes option pricing model by applying the following assumptions:

| JWC Warrant Valuation | Initial Recognition | March 31, 2019 | September 30, 2019 |
|--------------------------------|----------------------------|-----------------------|---------------------------|
| Share price | \$0.39 | \$0.99 | \$0.46 |
| Exercise price | \$0.46 | \$0.46-1.50 | \$1.50 |
| Risk-free interest rate | 1.2% | 1.6% | 1.6% |
| Expected life (years) | 1.0 | 0.2-0.6 | 0.3 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 45-78% | 56% |

c) Radicle

As at September 30, 2019, the Company had advanced \$5,000 to a wholly-owned subsidiary of Radicle pursuant to a royalty agreement (March 31, 2019 – \$5,000). Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum

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annual payment of \$900. The royalty interest is being measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. As at September 30, 2019, the fair value of the royalty interest was estimated to be \$5,052 (March 31, 2019 – \$5,064). Please refer to Note 14 for additional details.

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 September 30, 2019, the Company had subscribed for 15,000,000 class A preferred shares of Vert Mirabel (March 31, 2019 – 15,000,000) at \$1.00 per share, for a total investment of \$15,000 (March 31, 2019 – \$15,000), with an ascribed cost of \$13,893 due to the off-market nature of the prescribed dividends. As at September 30, 2019, the fair value of the preferred shares was estimated to be \$18,682 (March 31, 2019 – \$16,994). Please refer to Note 14 for additional details.

As at September 30, 2019, the Company also owned 26% of the common shares of Vert Mirabel (March 31, 2019 – 26%). The Company has elected to account for its investment in the common shares of Vert Mirabel at FVTOCI at initial recognition. Please refer to Notes 10(c) and 14 for additional details.

e) *Civilized*

As described in Note 8(b), as at September 30, 2019, the Company had advanced \$5,000 to Civilized pursuant to a convertible debenture agreement (March 31, 2019 – \$5,000) and owned common share purchase warrants.

Per the original terms of the convertible debenture agreement, interest is earned at 14% per annum, calculated and compounded quarterly, provided that interest shall not be payable until the one-year anniversary of the closing date of the investment, and the debenture was convertible into 397,227 class A common shares of Civilized. On April 4, 2019, the Company and Civilized effected an amendment to the terms of the convertible debenture agreement. Among other things, interest payments were amended to only become payable on the two-year anniversary of the closing date of the investment and the number of shares to be received upon conversion was increased to 456,812.

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

The convertible debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the convertible debenture was estimated to be \$3,473 (March 31, 2019 – \$4,250).

As at September 30, 2019, the Company owned 221,239 common share purchase warrants of Civilized (March 31, 2019 – 221,239). The warrants represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the warrants was estimated to be \$226 (March 31, 2019 – \$760).

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The fair values of the convertible debenture and warrants were estimated using the following assumptions:

| Civilized Convertible Debenture and Warrants Valuation | Initial Recognition | March 31, 2019 | September 30, 2019 |
|---|----------------------------|-----------------------|---------------------------|
| Share price | \$12.60 | \$12.60 | \$10.95 |
| Conversion price | \$12.59 | \$12.59 | \$10.95 |
| Warrant strike price | \$12.59 | \$15.82 | \$15.82 |
| Risk-free interest rate | S4 CAD Swap | S4 CAD Swap | S4 CAD Swap |
| Expected annualized volatility | 50% | 50% | 45% |
| Credit spread | 40% | 40% | 50% |
| Timing of triggering event | May 7, 2019 | May 7, 2020 | Dec 31, 2019 |
| Probability of triggering event | 80% | 80% | 50% |
| Probability adjustment | - | 25% | 33% |

f) Canapar

As described in Note 8(d), as part of the Company's investment in Canapar, the Company received a call option to purchase 100% of Canapar's interest in its investees. The consideration to be paid upon the exercise of the call option shall be the greater of: (i) eight times EBITDA; and (ii) \$200,000, less the liabilities of the acquired investees, multiplied by the percentage interest that the Company does not own in Canapar at the time of exercise. The option is exercisable for as long as the Company is a shareholder of Canapar.

The call option represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the call option was estimated to be \$6,000 (March 31, 2019 – \$7,500). The fair value of the call option was estimated through a simulation model based on the following assumptions:

| Canapar Call Option Valuation | March 31, 2019 | September 30, 2019 |
|--------------------------------------|-----------------------|---------------------------|
| Expected life | 5 years | 5.7 years |
| Equity value per share | \$0.90 | \$0.67 |
| Equity value volatility | 70% | 70% |
| EBITDA volatility | 30% | 30% |
| CAD/EUR volatility | 9% | 9% |

g) Greenhouse Juice Company

As described in Note 8(e), as at September 30, 2019, the Company had advanced \$6,000 to Greenhouse Juice pursuant to the Greenhouse Secured Debenture. As part of the investment, the Company also received preferred share purchase warrants in Greenhouse Juice, which the Company is required to exercise if certain conditions are met, as well as an additional warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51% (the control warrant).

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

The Greenhouse Secured Debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the Greenhouse Secured Debenture was estimated to be \$7,882 (March 31, 2019 – \$5,853).

As at September 30, 2019, the Company owned 1,386,874 preferred share purchase warrants of Greenhouse Juice (March 31, 2019 – 1,386,874) and the control warrant described above. The preferred share purchase warrants and control warrant represent derivative financial instruments that are initially measured at fair value

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and are subsequently measured at FVTPL. As at September 30, 2019, the fair value of the warrants was estimated to be \$252 (March 31, 2019 – \$nil).

As described in Note 8(e), on May 1, 2019, the Company advanced \$3,000 to Greenhouse Juice pursuant to the Greenhouse Unsecured Debenture. The Greenhouse Unsecured Debenture is non-interest bearing and has a maturity of one year from the date of advancement. Conversion is automatic based upon a fixed price per share using a graduating company valuation upon achieving certain revenue targets.

The Greenhouse Unsecured Debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. A discounted cash flow model is used to value the debenture component, and a Monte Carlo simulation model is used to determine the value of the embedded conversion feature based upon Greenhouse Juice reaching certain revenue targets. As at September 30, 2019, the fair value of the Greenhouse Unsecured Debenture was estimated to be \$3,009 (March 31, 2019 – \$nil).

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

| Greenhouse Convertible Debentures and Warrants Valuation | Initial Recognition | March 31, 2019 | September 30, 2019 |
|---|----------------------------|-----------------------|---------------------------|
| Share price | \$1.03 | \$1.03 | \$1.51 |
| Conversion price ⁽¹⁾ | \$1.51 | \$1.51 | \$1.51 |
| Risk-free interest rate | 1.9% | 1.9% | 1.8% |
| Expected annualized volatility | 40% | 40% | 40% |
| Implied credit spread | 25% | 25% | 25% |
| Strike price 1 | \$2.16 | \$2.16 | \$2.16 |
| Strike price 2 | \$6.49 | \$6.49 | \$6.49 |

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

h) Herbert

As described in Note 8(f), as at September 30, 2019, the Company owned a warrant that, if exercised, would increase its ownership interest in Herbert to 51%.

The control warrant represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the control warrant was estimated to be \$43 (March 31, 2019 – \$100). The fair value of the control warrant was estimated using the Black-Scholes option pricing model by applying the following assumptions:

| Herbert Warrant Valuation | Initial Recognition | March 31, 2019 | September 30, 2019 |
|----------------------------------|----------------------------|-----------------------|---------------------------|
| Share price | \$0.37 | \$0.37 | \$0.37 |
| Exercise price | \$3.97 | \$3.97 | \$3.97 |
| Risk-free interest rate | 1.9% | 1.6% | 1.6% |
| Expected life (years) | 2.5 | 2.4 | 2.2 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 70% | 70% |

i) High Beauty

As described in Note 8(h), as part of the Company's initial investment in the preferred shares of High Beauty, the Company also received a warrant to purchase preferred shares.

Upon initial recognition, the total cost of the investment in High Beauty of \$3,335 was bifurcated between the preferred shares and the warrant based on the relative fair value approach. The transaction price of \$1.10 per preferred share was used to estimate the initial value of the preferred shares, and a Black-Scholes option pricing model was used to estimate the initial value of the warrant. At initial recognition, \$2,867 was allocated to the preferred shares and \$468 was allocated to the warrant.

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The warrant represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. As at September 30, 2019, the fair value of the warrant was estimated to be \$537 (March 31, 2019 – \$nil). The fair value of the warrant was estimated using the Black-Scholes option pricing model by applying the following assumptions:

| High Beauty Warrant Valuation | Initial Recognition | September 30, 2019 |
|--------------------------------------|----------------------------|---------------------------|
| Share price | \$1.10 | \$1.09 |
| Exercise price | \$0.01 | \$0.01 |
| Risk-free interest rate | 1.4% | 1.6% |
| Expected life (years) | 2.5 | 2.3 |
| Dividend yield | 0% | 0% |
| Expected annualized volatility | 70% | 70% |

j) BioLumic

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

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

The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. A discounted cash flow is used to value the promissory note and a calibrated Monte Carlo simulation model is used to determine the value of the conversion option. As at September 30, 2019, the fair value of the convertible promissory note was estimated to be \$2,086 (March 31, 2019 – \$nil). The fair value of the note was estimated using the following assumptions:

| BioLumic Convertible Promissory Note Valuation | Initial Recognition | September 30, 2019 |
|---|----------------------------|---------------------------|
| Share price | \$4.31 | \$4.31 |
| Conversion price | \$4.31 | \$4.31 |
| Risk-free interest rate | 2.4% | 1.4% |
| Expected annualized volatility | 30% | 30% |
| Timing of achievement 1 | Apr. 19, 2020 | Jun. 30, 2020 |
| Implied credit spread | 24% | 24% |
| Probability of achievement 1 | 50% | 50% |
| Timing of achievement 2 | Oct. 19, 2020 | Oct. 19, 2020 |
| Probability of achievement 2 | 90% | 90% |

10. 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 14. Please refer below for further details on these investments.

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The following tables outline changes in financial assets measured at FVTOCI for the six months ended September 30, 2019, and for the twelve months ended March 31, 2019:

| Entity | Instrument | Note | Balance at Mar. 31, 2019 | Additions | Net change in fair value | Dispositions | Balance at Sep. 30, 2019 |
|--------------|---------------------|-------|--------------------------------|------------------|-----------------------------|-----------------|--------------------------------|
| JWC | Common shares | 10(a) | \$ 12,389 | \$ 890 | \$ (6,971) | \$ - | \$ 6,308 |
| TerrAscend | Exchangeable Shares | 10(b) | 80,000 | - | (30,000) | - | 50,000 |
| Vert Mirabel | Common shares | 10(c) | 34,486 | - | 1,144 | - | 35,630 |
| Eureka | Common shares | 10(d) | 2,170 | - | (1,872) | (150) | 148 |
| YSS | Common shares | 10(e) | 4,244 | - | (1,197) | - | 3,047 |
| Headset | Preferred shares | 10(f) | 4,009 | - | (36) | - | 3,973 |
| ZeaKal | Preferred shares | 10(g) | - | 13,487 | (246) | - | 13,241 |
| Total | | | \$ 137,298 | \$ 14,377 | \$ (39,178) | \$ (150) | \$ 112,347 |

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

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

As described in Note 9(b), as at September 30, 2019, the Company owned 13,860,867 common shares of JWC (March 31, 2019 – 12,513,041), representing a 14% equity interest on a fully diluted basis. As at September 30, 2019, the fair value of the Company's investment in JWC common shares was estimated to be \$6,308 (March 31, 2019 – \$12,389). Please refer to Note 14 for additional details.

(b) TerrAscend

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

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

As at September 30, 2019, the Company held 19,445,285 conditionally exchangeable shares in the capital of TerrAscend (the "Exchangeable Shares") (March 31, 2019 – 19,445,285). The Exchangeable Shares only become convertible into common shares of TerrAscend following changes in U.S. federal laws regarding the cultivation, distribution, or possession of cannabis, and the compliance of TerrAscend with such laws, or the approval of the various securities exchanges upon which the securities of the holder of the Exchangeable Shares are listed (the "TerrAscend Triggering Event"). The Exchangeable Shares are not transferable or monetizable until exchanged into common shares. In the interim, the Company will not be entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend.

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

As at September 30, 2019, the fair value of the Company's investment in the Exchangeable Shares was estimated to be \$50,000 (March 31, 2019 – \$80,000). Please refer to Note 14 for additional details.

(c) Vert Mirabel

As at September 30, 2019, the Company owned 26% of the common shares of Vert Mirabel (March 31, 2019 – 26%). As at September 30, 2019, the fair value of the Company's investment in Vert Mirabel common shares was estimated to be \$35,630 (March 31, 2019 – \$34,486). Please refer to Note 14 for additional details.

(d) Eureka

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

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

After giving effect to the share consolidation and taking into account the sale of 69,600 shares of Eureka for aggregate proceeds of \$150 during the three and six months ended September 30, 2019, the Company owned 321,278 common shares of Eureka as at September 30, 2019 (March 31, 2019 – 390,879 (adjusted for the 15:1 share consolidation)), representing a less than 1% equity interest on a fully diluted basis. As at September 30, 2019, the fair value of the Company's investment in Eureka common shares was estimated to be \$148 (March 31, 2019 – \$2,170). Please refer to Note 14 for additional details.

On September 24, 2019, Eureka announced that it began a restructuring that involved the resignation of its entire leadership team and all but one of the directors on its board. As at September 30, 2019, trading of the common shares of Eureka on the CSE was temporarily suspended.

(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.

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

As at September 30, 2019, the Company owned 10,883,333 common shares of YSS (March 31, 2019 – 10,883,333 (adjusted for the 6:1 share consolidation)), representing a 7% equity interest on a fully diluted basis. As at September 30, 2019, the fair value of the Company's investment in YSS common shares was estimated to be \$3,047 (March 31, 2019 – \$4,244). Please refer to Note 14 for additional details.

(f) Headset

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

As at September 30, 2019, the Company owned 1,500,000 preferred shares of Headset (March 31, 2019 – 1,500,000), representing a 7% equity interest on a fully diluted basis. As at September 30, 2019, the fair value of the Company's investment in Headset preferred shares was estimated to be \$3,973 (U.S. \$3,000) (March 31, 2019 – \$4,009 (U.S. \$3,000)). Please refer to Note 14 for additional details.

(g) ZeaKal

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

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

As at September 30, 2019, the fair value of the Company's investment in ZeaKal preferred shares was estimated to be \$13,241 (U.S. \$10,000) (March 31, 2019 – \$nil). Please refer to Note 14 for additional details.

11. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of Shares. There are two classes of Shares: Multiple Voting Shares and Subordinated Voting Shares. Each Multiple Voting Share is entitled to receive 20 votes, while each Subordinated Voting Share is entitled to receive one vote at all meetings of the shareholders. There is no priority or distinction between the two classes of Shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution, or winding-up of the Company.

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

(b) Issued and outstanding

As at September 30, 2019, there were 36,468,318 Multiple Voting Shares and 151,731,576 Subordinated Voting Shares issued and outstanding.

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Initial financing

On May 12, 2017, CGC advanced \$20,000 in the form of a convertible debenture to CRC PrivateCo. Other investors advanced \$953 of seed capital to purchase 19,066,668 Class B Shares. Of this amount, \$503 representing 10,066,668 Class B Shares was paid for through share purchase loans, whereby funds were advanced to CRC PrivateCo by CGC on behalf of certain employees and a consultant of CGC. The Class B Shares acquired by each CGC employee and consultant through these share purchase loans have been placed in trust and vest in three equal tranches over three years if: (i) each person, individually, remains an employee or consultant of CGC; and (ii) the individual loans are repaid. In certain cases, there are also additional performance targets. If the loan is not repaid, the shares will be cancelled by the Company and the proceeds received by CRC PrivateCo from the initial sale of the Class B Shares would be returned to CGC. Accordingly, the 10,066,668 Class B Shares acquired by way of the share purchase loans were initially accounted for as seed capital options and are not considered issued for accounting purposes until the loans are repaid on an individual employee/consultant basis. During the three and six months ended September 30, 2019, share purchase loans in the amount of \$29 and \$48, respectively, relating to the Shares held in trust by CGC on behalf of certain CGC employees were repaid. This resulted in the release from escrow of 583,333 and 961,108 Subordinated Voting Shares, respectively. As at September 30, 2019, share purchase loans relating to 7,188,884 of the original seed capital options have been repaid, resulting in the release from escrow of the same number of Subordinated Voting Shares (March 31, 2019 – 6,227,776). Please refer to Note 11(c) for additional details on the seed capital options.

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

Subsequent financings during the three and six months ended September 30, 2019

There were no financings during the three and six months ended September 30, 2019.

(c) Stock options

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

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

Seed Capital Options

The seed capital options were measured at fair value on May 12, 2017, using a Black-Scholes option pricing model and will be remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of Shares it expects to vest and is amortizing the expense over the expected vesting period.

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

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| Seed Capital Options | Initial Recognition | March 31, 2019 | September 30, 2019 |
|--|----------------------------|-----------------------|---------------------------|
| Share price | \$0.05 | \$4.45 | \$2.63 |
| Exercise price | \$0.05 | \$0.05 | \$0.05 |
| Risk-free interest rate | 1.0% | 1.6% | 1.6% |
| Weighted average expected life (years) | 2.7 | 0.2 – 1.2 | 0.7 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 70% | 70% |
| Expected forfeiture rate | 0% | 0% | 0% |

During the three and six months ended September 30, 2019, 583,333 and 961,108 seed capital options were exercised, respectively (three and six months ended September 30, 2018 – 5,750,000).

During the three and six months ended September 30, 2019, the Company recorded \$494 and \$1,355 in share-based compensation expense related to seed capital options (three and six months ended September 30, 2018 – \$1,938 and \$6,271, respectively).

The following table summarizes information about seed capital options outstanding as at September 30, 2019, and March 31, 2019:

| Date | Options Outstanding | | | Options Exercisable | | | |
|--------------------|---------------------------------|-------------------------------|---|---------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | 0.05 | 2,877,784 | 0.9 | 2.58 | 0.05 | 1,255,562 | 2.58 |
| March 31, 2019 | 0.05 | 3,838,892 | 1.4 | 4.40 | 0.05 | 772,225 | 4.40 |

Consultant Options

As at March 31, 2019, the Company had 7,993,668 options to purchase Subordinated Voting Shares granted to employees of CGC and other consultants of the Company outstanding. During the three and six months ended September 30, 2019, the Company granted 45,000 options to purchase Subordinated Voting Shares to consultants of the Company. Options granted to CGC employees and consultants are considered "consultant options" from the Company's perspective. The options have exercise prices ranging from \$0.60 to \$3.50 per Subordinated Voting Share and are exercisable in increments, with one third being exercisable on each of the first, second, and third anniversaries from the date of grant. The options were measured at fair value at the date of issuance using a Black-Scholes option pricing model and will be remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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

| Consultant Options | Initial Recognition | March 31, 2019 | September 30, 2019 |
|--|----------------------------|-----------------------|---------------------------|
| Share price | \$0.60 | \$4.45 | \$2.63 |
| Exercise price | \$0.60 | \$0.60 – \$3.50 | \$0.60 – \$3.50 |
| Risk-free interest rate | 1.5% | 1.6% | 1.6% |
| Weighted average expected life (years) | 3.0 – 4.0 | 0.4 – 3.3 | 0 – 3.9 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 70% | 70% |
| Expected forfeiture rate | 0% | 0% | 0% |

During the three and six months ended September 30, 2019, 66,667 and 178,332 consultant options were exercised at a weighted average price of \$0.60 for gross proceeds of \$40 and \$107, respectively (three and six months ended September 30, 2018 – \$nil).

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During the three and six months ended September 30, 2019, the Company recorded \$1,111 and \$3,114 in share-based compensation expense related to consultant options, respectively (three and six months ended September 30, 2018 – \$5,684 and \$7,950, respectively).

The following table summarizes information about consultant options outstanding as at September 30, 2019, and March 31, 2019:

| Date | Options Outstanding | | | Options Exercisable | | | |
|--------------------|---------------------------------|-------------------------------|---|---------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | 1.76 | 7,860,336 | 3.4 | 1.57 | 1.87 | 2,412,003 | 1.45 |
| March 31, 2019 | 1.73 | 7,993,668 | 3.9 | 3.26 | 0.60 | 1,530,335 | 3.87 |

Employee and Director Options

As at March 31, 2019, the Company had 4,506,000 options to purchase Subordinated Voting Shares granted to employees and directors of the Company outstanding. During the three and six months ended September 30, 2019, the Company granted an additional 80,000 and 1,658,000 options to purchase Subordinated Voting Shares, respectively, to employees of the Company. The options have exercise prices ranging from \$1.10 to \$4.83 per Subordinated Voting Share and are exercisable in increments, with one third being exercisable on each of the first, second, and third anniversaries from the date of grant. The options were measured at fair value at the date of issuance using a Black-Scholes option pricing model. These options are not subsequently remeasured. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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

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

During the three and six months ended September 30, 2019, no employee and director options were exercised (three and six months ended September 30, 2018 – nil).

During the three and six months ended September 30, 2019, the Company recorded \$1,363 and \$2,185 in share-based compensation expense related to employee and director options, respectively (three and six months ended September 30, 2018 – \$350 and \$505, respectively).

The following table summarizes information about employee and director options outstanding as at September 30, 2019, and March 31, 2019:

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| Date | Options Outstanding | | | Options Exercisable | | | |
|--------------------|---------------------------------|-------------------------------|---|---------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | 2.79 | 6,164,000 | 4.0 | 1.40 | 1.88 | 1,159,999 | 0.89 |
| March 31, 2019 | 2.42 | 4,506,000 | 4.3 | 1.22 | 1.10 | 550,000 | 0.51 |

Former AIM2 Options

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

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

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

During the three and six months ended September 30, 2019, no former AIM2 options were exercised (three and six months ended September 30, 2018 – nil). During the three and six months ended September 30, 2019, 22,587 shares expired (three and six months ended September 30, 2018 – nil). Accordingly, no former AIM2 options remain outstanding or exercisable as at September 30, 2019.

The following table summarizes information about former AIM2 options outstanding as at September 30, 2019, and March 31, 2019:

| Date | Options Outstanding | | | Options Exercisable | | | |
|--------------------|---------------------------------|-------------------------------|---|---------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | n/a | – | – | n/a | n/a | – | n/a |
| March 31, 2019 | 2.66 | 22,587 | 0.5 | 1.82 | 2.66 | 22,587 | 1.82 |

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Stock Options Summary

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

| | # of Options | Weighted Avg. Exercise Price |
|------------------------------------|-------------------|---------------------------------|
| Balance, March 31, 2019 | 16,361,147 | \$ 1.53 |
| Granted | 1,703,000 | 3.75 |
| Exercised | 1,139,440 | 0.14 |
| Expired | 22,587 | 2.66 |
| Balance, September 30, 2019 | 16,902,120 | \$ 1.84 |

(d) Warrants
PharmHouse Warrants

In connection with the formation of PharmHouse described in Note 8(c), the Company issued 14,400,000 warrants to the PharmHouse JV Partner. The warrants are exercisable for a period of two years following the date that PharmHouse receives a licence to sell cannabis under the Cannabis Act. Upon issuance, the exercise price of the warrants was set to be at the lower of \$2.00 per share and the price per subscription receipt issued by CRC PrivateCo in connection with the CRC PrivateCo's financing to be completed concurrently with its initial public listing.

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

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

During the three and six months ended September 30, 2019, no PharmHouse warrants were exercised (three and six months ended September 30, 2018 – nil).

The following table summarizes information about PharmHouse warrants outstanding as at September 30, 2019, and March 31, 2019:

| Date | Warrants Outstanding | | | Warrants Exercisable | | | |
|--------------------|--|--------------------------------------|---|--|--|--------------------------------------|--|
| | Weighted Average Exercise Price | Number of Warrants Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Warrants Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | 2.00 | 14,400,000 | 2.3 | 1.98 | n/a | - | n/a |
| March 31, 2019 | 2.00 | 14,400,000 | 2.3 | 1.98 | n/a | - | n/a |

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Former AIM2 Warrants

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

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

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

During the three and six months ended September 30, 2019, no former AIM2 warrants were exercised (three and six months ended September 30, 2018 – nil).

The following table summarizes information about former AIM2 warrants outstanding as at September 30, 2019, and March 31, 2019:

| Date | Warrants Outstanding | | | Warrants Exercisable | | | |
|--------------------|---------------------------------|--------------------------------|---|---------------------------------------|---------------------------------|--------------------------------|---------------------------------------|
| | Weighted Average Exercise Price | Number of Warrants Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share | Weighted Average Exercise Price | Number of Warrants Exercisable | Weighted Average Fair Value per Share |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| September 30, 2019 | 2.66 | 9,450 | 0.4 | 1.17 | 2.66 | 9,450 | 1.17 |
| March 31, 2019 | 2.66 | 9,450 | 0.9 | 1.17 | 2.66 | 9,450 | 1.17 |

Warrants Summary

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

| | # of Warrants | Weighted Avg. Exercise Price |
|------------------------------------|-------------------|------------------------------|
| Balance, March 31, 2019 | 14,409,450 | \$ 2.00 |
| Granted | - | - |
| Exercised | - | - |
| Balance, September 30, 2019 | 14,409,450 | \$ 2.00 |

12. 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 3.2% of

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the Shares of the Company on a fully diluted basis as at September 30, 2019. Compensation provided to key management personnel is as follows:

| | <u>Three months ended</u> | | <u>Six months ended</u> | |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <u>September 30, 2019</u> | <u>September 30, 2018</u> | <u>September 30, 2019</u> | <u>September 30, 2018</u> |
| Share-based compensation | \$ 1,181 | \$ 1,151 | \$ 1,953 | \$4,495 |
| Salaries and accrued bonuses | 439 | 202 | 874 | 330 |
| Director fees | 25 | - | 50 | - |

(b) Transactions with CGC

As at September 30, 2019, the Company has a \$144 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 11(c) (March 31, 2019 – \$192). In the event the loans are repaid by the employees/consultant, the related Shares will be issued, and the liability will be settled.

As at September 30, 2019, the Company has a \$nil liability to CGC included in accounts payable and accrued liabilities relating to reimbursement for Eureka's license application costs borne by CGC (March 31, 2019 – \$250).

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

(c) Transactions with other related parties

Transactions and balances with the Company's associates and joint venture are described and discussed in Notes 7 and 8. Transactions and balances with associated entities of CGC are described and discussed in Notes 6, 9, and 10.

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

13. INCOME TAXES

For the three and six months ended September 30, 2019, the Company recognized income tax recovery of \$133 and income tax expense of \$299, respectively (three and six months ended September 30, 2018 – income tax expense of \$2,841 and \$2,866, respectively). Income tax expense of \$299 for the six months ended September 30, 2019 is comprised of current income tax recovery of \$1,030 and deferred income tax expense of \$1,329.

As at September 30, 2019, the Company has \$3,053 in non-capital losses available to reduce future years' federal and provincial taxable income (March 31, 2019 – \$1,173).

14. FINANCIAL INSTRUMENTS

Fair values

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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- Level 3 – valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying amount of cash and cash equivalents, interest and royalty receivable, other receivables, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

The following table provides information about how the fair values as at September 30, 2019, of the Company's other financial instruments are determined:

| | Fair value as at Sep. 30 2019 | Fair value as at Mar. 31, 2019 | Classification | Fair value hierarchy | Valuation technique | Key inputs |
|---|-------------------------------|--------------------------------|----------------|----------------------|---|--|
| Financial assets – fair value through profit or loss | | | | | | |
| Agripharm Repayable Debenture / Royalty Interest | \$19,547 | \$10,255 | FVTPL | Level 3 | Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Per gram royalty / minimum payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Cannabis production • Discount rate (22% at September 30, 2019; 22% at March 31, 2019) |
| Agripharm Warrant | \$86 | \$461 | FVTPL | Level 3 | Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Exercise price • Risk-free interest rate • Dividend yield <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Expected life • Expected annualized volatility |
| JWC Royalty Interest | \$2,635 | \$2,644 | FVTPL | Level 3 | Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Per gram royalty / minimum payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Cannabis production • Discount rate (19% at September 30, 2019; 19% at March 31, 2019) |
| JWC Warrants | \$ nil | \$824 | FVTPL | Level 3 | Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Share price • Exercise price • Risk-free interest rate • Dividend yield <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Expected life • Expected annualized volatility |

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| | Fair value as at Sep. 30 2019 | Fair value as at Mar. 31, 2019 | Classifi- cation | Fair value hierarchy | Valuation technique | Key inputs |
|---------------------------------------|--|---|---------------------|-------------------------|---|--|
| Radicle Royalty Interest | \$5,052 | \$5,064 | FVTPL | Level 3 | Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Per gram royalty / minimum payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Cannabis production Discount rate (19% at September 30, 2019; 19% at March 31, 2019) |
| Vert Mirabel Preferred Shares | \$18,682 | \$16,994 | FVTPL | Level 3 | Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Dividend yield (18% decreasing to 10% at March 31, 2020; 18% decreasing to 10% at March 31, 2019) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Timing of redemption Discount rate (16.5% at September 30, 2019; 22.5% at March 31, 2019) |
| Civilized Convertible Debenture | \$3,473 | \$4,250 | FVTPL | Level 3 | Probability-adjusted FinCAD model (with a Monte Carlo simulation) | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Conversion price Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price Implied credit spread (50% at September 30, 2019; 40% at March 31, 2019) Expected annualized volatility (45% at September 30, 2019; 50% at March 31, 2019) Probability adjustment (33% at September 30, 2019; 0% at March 31, 2019) |
| Civilized Warrants | \$226 | \$760 | FVTPL | Level 3 | Probability-adjusted Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Exercise price Risk-free interest rate Dividend yield <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price Expected life Expected annualized volatility Probability adjustment (33% at September 30, 2019; 0% at March 31, 2019) |

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| | Fair value as at Sep. 30 2019 | Fair value as at Mar. 31, 2019 | Classifi- cation | Fair value hierarchy | Valuation technique | Key inputs |
|--|--|---|---------------------|-------------------------|---|--|
| Canapar Call Option | \$6,000 | \$7,500 | FVTPL | Level 3 | Simulation model using Geometric Brownian Motion | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Canadian dollar / Euro foreign exchange ("FX") rate • Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Company equity value • Expected life • Expected volatility of company equity value • Projected EBITDA • Expected annualized volatility of EBITDA • Expected annualized volatility of FX rate |
| Greenhouse Juice Secured Convertible Debenture | \$7,882 | \$5,853 | FVTPL | Level 3 | FinCAD model (with a Monte Carlo simulation) | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Conversion price • Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Implied credit spread (25% at September 30, 2019; 25% at March 31, 2019) • Expected annualized volatility (40% at September 30, 2019; 40% at March 31, 2019) |
| Greenhouse Juice Unsecured Convertible Debenture | \$3,009 | - | FVTPL | Level 3 | Income approach – discounted cash flow (with a Monte Carlo simulation) | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Conversion price • Share price • Implied credit spread (25% at September 30, 2019) • Expected annualized volatility (40% at September 30, 2019) |
| Greenhouse Juice Warrants | \$252 | - | FVTPL | Level 3 | Monte Carlo simulation model and Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Exercise price • Risk-free interest rate • Dividend yield <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Expected life • Expected annualized volatility |
| Herbert Warrant | \$43 | \$100 | FVTPL | Level 3 | Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Exercise price • Risk-free interest rate • Dividend yield |

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

| | Fair value as at Sep. 30 2019 | Fair value as at Mar. 31, 2019 | Classifi- cation | Fair value hierarch | Valuation technique | Key inputs |
|---|--|---|---------------------|------------------------|--|--|
| | | | | | | <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Expected life • Expected annualized volatility |
| High Beauty Warrant | \$537 | - | FVTPL | Level 3 | Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Exercise price • Risk-free interest rate • Dividend yield <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Expected life • Expected annualized volatility |
| BioLumic Convertible Promissory Note | \$2,086 | - | FVTPL | Level 3 | Income approach – discounted cash flow (with a Monte Carlo simulation) | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Conversion price • Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price • Implied credit spread (24% at September 30, 2019) • Expected annualized volatility (30% at September 30, 2019) |
| Total | \$69,510 | \$54,705 | | | | |
| Financial assets – fair value through other comprehensive income | | | | | | |
| JWC Common Shares | \$6,308 | \$12,389 | FVTOCI | Level 1 | Quoted share price | N/A |
| TerrAscend Exchangeable Shares | \$50,000 | \$80,000 | FVTOCI | Level 3 | Market approach – based on trading price of TerrAscend common shares on CSE as at the valuation date, adjusted for a discount for lack of marketability calculated using an Asian Put Option model across a series of exchange dates | <i>Key observable inputs</i> <ul style="list-style-type: none"> • Share price • Exercise price • Risk-free interest rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Expected annualized volatility • Expected timing of TerrAscend Triggering Event |

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

| | Fair value as at Sep. 30 2019 | Fair value as at Mar. 31, 2019 | Classifi- cation | Fair value hierarchy | Valuation technique | Key inputs |
|----------------------------------|--|---|---------------------|-------------------------|---|--|
| Vert Mirabel Common Shares | \$35,630 | \$34,486 | FVTOCI | Level 3 | Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Cannabis production • Selling price per gram (long-term) • Production cost per gram • Discount rate (20% at September 30, 2019; 27.5% at March 31, 2019) • Discount for lack of marketability (20% at September 30, 2019; 20% at March 31, 2019) |
| Eureka Common Shares | \$148 | \$2,170 | FVTOCI | Level 2 | Last trading price of halted security | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Last trading price of halted security |
| YSS Common Shares | \$3,047 | \$4,244 | FVTOCI | Level 1 | Quoted share price | N/A |
| Headset Preferred Shares | \$3,973 | \$4,009 | FVTOCI | Level 3 | Market approach – most recent financing: based upon per share valuation in Headset's most recent financing completed in December 2018, adjusted for FX gains/losses | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price • FX rate |
| ZeaKal Preferred Shares | \$13,241 | - | FVTOCI | Level 3 | Market approach – most recent financing: based upon per share valuation in ZeaKal's most recent financing completed in August 2019, adjusted for FX gains/losses | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price • FX rate |
| Total | \$112,347 | \$137,298 | | | | |

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

Financial assets

- Level 1: September 30, 2019 – \$9,355 (March 31, 2019 – \$16,633)
- Level 2: September 30, 2019 – \$148 (March 31, 2019 – \$2,170)
- Level 3: September 30, 2019 – \$172,354 (March 31, 2019 – \$173,200)

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:

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

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

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| Investee | Instrument | Input | Assumption | Change | Impact |
|------------------|--|---------------------------------------|-------------------|--------------|-----------|
| Agripharm | Repayable debenture / royalty interest | Discount rate | 22.0% | + 2.5% (abs) | (\$1,685) |
| JWC | Royalty interest | Discount rate | 19.0% | + 2.5% (abs) | (\$256) |
| Radicle | Royalty interest | Discount rate | 19.0% | + 2.5% (abs) | (\$495) |
| TerrAscend | Exchangeable Shares | Timing of TerrAscend Triggering Event | Probability curve | + 1 year | \$(714) |
| | | Volatility | Various | + 5.0% | \$(2,725) |
| Vert Mirabel | Common shares | Production (kg) | Various | - 5.0% | \$(3,530) |
| | | Long-term price | \$1.25 | - 5.0% | \$(530) |
| | | Discount rate | 20.0% | + 2.5% | \$(2,530) |
| | Preferred shares | Discount rate | 16.5% | + 2.5% (abs) | (\$134) |
| Civilized | Convertible debenture | Credit spread | 50.0% | + 5.0% (abs) | (\$54) |
| Canapar | Call option | Company equity value | 70.0% | - 5.0% | (\$1,127) |
| | | volatility | | | |
| Greenhouse Juice | Secured convertible debenture | Expected life (yrs) | 2.3 | - 0.5 | (\$306) |
| | | Volatility | 40.0% | - 5.0% | (\$176) |
| | | Credit spread | 25.0% | + 5.0% | (\$252) |
| | Unsecured convertible debenture | Volatility | 40.0% | - 5.0% | (\$25) |
| | | Credit spread | 5.0% | + 2.0% | (\$30) |
| BioLumic | Convertible promissory note | Volatility | 30% | - 5.0% (abs) | (\$29) |
| | | Credit spread | 24% | + 5.0% (abs) | (\$92) |

15. COMMITMENTS

As described in Note 6, Spot is a company licensed to cultivate cannabis under the Cannabis Act and a wholly-owned subsidiary of CGC. The Company has entered into a repayable debenture and royalty agreement with Spot to provide financing of up to \$13,500 to help fund the construction of Spot's production facility. As at September 30, 2019, \$nil had been advanced to Spot under this agreement. Spot is required to draw, and the Company is required to advance, the entire amount available at a future date, at which time the Company's investment is expected to convert to a royalty interest. Please refer to Note 17 for additional details.

In connection with the Company's investment in Greenhouse Juice as described in Note 8(e), the Company is required to exercise its warrants with a face value of \$3,000 upon the achievement of future revenue targets.

16. EARNINGS PER SHARE

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

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

The following tables set forth the calculation of basic and diluted EPS for the three and six months ended September 30, 2019 and 2018:

| | <u>Three months ended September 30, 2019</u> | | | <u>Six months ended September 30, 2019</u> | | |
|---------------------|--|---|-----------------|--|---|-----------------|
| | Net loss | Weighted avg. number of shares | EPS | Net loss | Weighted avg. number of shares | EPS |
| Basic | \$ (4,406) | 188,177,493 | \$(0.02) | \$ (7,372) | 187,709,077 | \$(0.04) |
| Dilutive securities | | - | | | - | |
| Diluted | \$ (4,406) | 188,177,493 | \$(0.02) | \$ (7,372) | 187,709,077 | \$(0.04) |

| | <u>Three months ended September 30, 2018</u> | | | <u>Six months ended September 30, 2018</u> | | |
|---------------------|--|---|---------------|--|---|---------------|
| | Net income | Weighted avg. number of shares | EPS | Net income | Weighted avg. number of shares | EPS |
| Basic | \$ 10,949 | 141,343,833 | \$0.08 | \$ 4,321 | 137,897,848 | \$0.03 |
| Dilutive securities | | 9,203,293 | | | 5,928,576 | |
| Diluted | \$ 10,949 | 150,547,126 | \$0.07 | \$ 4,321 | 143,826,424 | \$0.03 |

17. SUBSEQUENT EVENTS

On October 2, 2019, the Company completed a \$13,243 (US\$10,000) investment in TerrAscend Canada Inc. ("TerrAscend Canada"). The investment involved the purchase of 13,243 units, with each unit consisting of one unsecured convertible debenture of TerrAscend Canada with a principal value of \$1 (the "Debentures"). The Debentures bear interest at a rate of 6.0% per annum and mature on October 2, 2024. The principal amount of the Debentures outstanding is convertible into common shares or Exchangeable Shares of TerrAscend at the option of the Company. TerrAscend Canada may force the Company to convert the principal amount outstanding into common shares or Exchangeable Shares of TerrAscend (at the option of the Company), if, following February 3, 2020, the five-trading-day volume weighted average price of the common shares of TerrAscend equals or exceeds \$10.82, subject to adjustment in certain events. Following completion of the transaction with TerrAscend Canada and discussions with the TSX, the Company intends to make certain amendments to the terms of the transaction regarding the conversion rights, form of interest payments, and guarantee provisions.

In connection with the investment in TerrAscend Canada, TerrAscend issued the Company 333,723 common share purchase warrants of TerrAscend exercisable until October 2, 2024 (the "Warrants"). Each Warrant entitles the Company to acquire one common share of TerrAscend at an exercise price of \$6.49 per share. Unless waived by the Company, the Warrants are only exercisable following the date that the federal laws in the U.S. are amended to permit the general cultivation, distribution, and possession of marijuana (as defined in 21 U.S.C 802) or to remove the regulation of such activities from the federal laws of the U.S., or, if applicable, the stock exchange(s) on which Subordinated Voting Shares are listed permit the investment in an entity that participates in the cultivation, distribution, and possession of marijuana in the U.S.

On October 8, 2019, the Company advanced \$13,500 to Spot pursuant to the terms of the repayable debenture and royalty agreement described in Note 15. The principal amount of the repayable debenture was immediately set-off against the purchase price of a royalty interest pursuant to the terms of the royalty agreement described above. Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced by Spot for a term of 25 years, subject to a minimum annual payment of \$2,852. The advance reduced the Company's commitment to provide Spot additional financing to \$nil.

On October 23, 2019, the Company announced a strategic alliance with Kindred Partners Inc. ("Kindred"), a specialty cannabis brokerage and services company. The strategic alliance provides the Company's portfolio companies with access to Kindred's expertise and distribution channels in order to expand their reach. The Company provided Kindred with a \$1,000 refundable deposit under the terms of the strategic alliance agreement.