

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(IN CANADIAN DOLLARS)

CANOPY RIVERS INC.

TABLE OF CONTENTS

Condensed interim consolidated statements of financial position	3
Condensed interim consolidated statements of comprehensive loss	4
Condensed interim consolidated statements of cash flows	5
Condensed interim consolidated statements of changes in shareholders' equity	6
Notes to the condensed interim consolidated financial statements	7 - 49

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

(Expressed in CDN \$000's)	Notes	As at September 30, 2020	As at March 31, 2020
Assets			
Current assets			
Cash		\$ 37,928	\$ 46,724
Interest and royalty receivable, net of provision for credit losses	4, 8	3,943	10,067
Other receivables		366	416
Prepaid expenses and other assets		199	264
		42,436	57,471
Brokerage payments deposit	5	-	833
Finance lease receivable	6	2,818	2,772
Interest receivable - long term, net of provision for credit losses	8	1,210	924
Right-of-use assets		478	553
Loans receivable, net of provision for credit losses	4	-	42,450
Equity method investees	4, 7	13,379	50,543
Financial assets at fair value through profit or loss	8	78,290	80,170
Financial assets at fair value through other comprehensive income	9	106,905	64,599
Other long-term assets		151	70
		203,231	242,914
Total assets		\$ 245,667	\$ 300,385
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,233	\$ 1,541
Lease liability - current		151	147
		1,384	1,688
Lease liability - non-current		342	419
Deferred tax liability	12	-	-
Financial guarantee liability	4	25,000	-
		25,342	419
Total liabilities		26,726	2,107
Shareholders' equity			
Share capital	10	290,366	284,646
Share-based payment reserve		22,920	28,288
Contributed surplus		58,859	58,859
Deficit		(153,204)	(73,515)
		218,941	298,278
Total liabilities and shareholders' equity		\$ 245,667	\$ 300,385
Commitments and contingencies (Note 14)			
Subsequent events (Note 16)			

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

CANOPY RIVERS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in CDN \$000's, except for per share amounts)	Notes	Three months ended		Six months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating income (loss)					
Lease income on finance lease receivable	6	\$ 169	\$ 164	\$ 336	\$ 327
Interest income on loans receivable	4	1,242	1,222	2,447	2,431
Royalty and interest income on financial assets at fair value through profit or loss	8	2,655	785	3,950	1,554
Provision for credit losses on interest and royalty receivables					
PharmHouse	4,13	(8,939)	-	(8,939)	-
Other		(922)	-	(927)	-
Operating income (loss) (before equity method investees and fair value changes)		(5,795)	2,171	(3,133)	4,312
Operating expenses					
Consulting and professional fees		350	1,183	726	1,675
General and administrative expenses		1,287	1,998	2,629	3,545
Share-based compensation	10	(555)	2,968	354	6,654
Depreciation and amortization expense		45	43	87	85
Restructuring costs	4	428	-	428	-
Total operating expenses		1,555	6,192	4,224	11,959
Net operating loss (before equity method investees and fair value changes)		(7,350)	(4,021)	(7,357)	(7,647)
Share of loss from equity method investees					
PharmHouse	4,7	(32,607)	(453)	(37,025)	(695)
Other	7	(550)	(229)	(117)	(955)
Net changes in fair value of financial assets at fair value through profit or loss	8	(3,054)	(559)	(1,424)	953
Other PharmHouse-related charges					
Provision for credit losses on loans receivable	4	(45,756)	-	(45,756)	-
Provision for credit losses on financial guarantee liability	4	(25,000)	-	(25,000)	-
Net operating loss		(114,317)	(5,262)	(116,679)	(8,344)
Other expenses (income)					
Interest expense		7	9	15	19
Other expenses (income), net		521	(732)	1,577	(1,290)
Loss before taxes		(114,845)	(4,539)	(118,271)	(7,073)
Income tax expense (recovery)	12	(4,464)	(133)	(4,464)	299
Net loss		\$ (110,381)	\$ (4,406)	\$ (113,807)	\$ (7,372)
Other comprehensive income (loss) not subsequently reclassified to net loss					
Net change in fair value of financial assets at fair value through other comprehensive income (loss), net of tax expense of \$3,962 and \$3,962 (2019 - tax recapture of \$4,313 and \$5,916)	9	23,417	(28,252)	34,118	(34,036)
Total comprehensive loss		\$ (86,964)	\$ (32,658)	\$ (79,689)	\$ (41,408)
Loss per share - basic	15	\$ (0.58)	\$ (0.02)	\$ (0.60)	\$ (0.04)
Loss per share - diluted	15	\$ (0.58)	\$ (0.02)	\$ (0.60)	\$ (0.04)

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

CANOPY RIVERS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in CDN \$000's)	Notes	Six months ended	
		September 30, 2020	September 30, 2019
Cash flows used in operating activities			
Net loss		\$ (113,807)	\$ (7,372)
Adjustments for:			
Income on finance lease receivable	6	(336)	(327)
Share-based compensation expense	10	354	6,654
Share of loss from equity method investees			
PharmHouse	4,7	37,025	695
Other	7	117	955
Net changes in fair value of financial assets at fair value through profit or loss	8	1,424	(953)
Provision for credit losses on loans receivable	4	45,756	-
Provision for credit losses on financial guarantee liability	4	25,000	-
Interest expense		15	19
Income tax expense (recovery)	12	(4,464)	299
Other non-cash expenses (income)		77	85
Decrease (increase) in interest and royalty receivable, net of provision for credit losses		6,124	(2,881)
Decrease (increase) in other receivables		50	(67)
Decrease in prepaid expenses and other assets		65	188
Increase in interest receivable - long term	8	(286)	-
Decrease in brokerage payments deposit	5	833	-
Decrease (increase) in accounts payable and accrued liabilities		191	(752)
Net cash used in operating activities before income taxes paid		(1,862)	(3,457)
Income taxes paid		-	-
Net cash used in operating activities		\$ (1,862)	\$ (3,457)
Cash flows used in investing activities			
Restricted cash reserve		-	12,000
Investment in loans receivable	4	(3,306)	-
Investment in equity method investees	7	-	(2,867)
Investment in financial assets at fair value through profit or loss	8	(3,748)	(13,492)
Investment in financial assets at fair value through other comprehensive income	9	-	(14,107)
Disposition of financial assets at fair value through other comprehensive income	9	-	150
Payments from finance lease receivable		290	290
Purchase of other long-term assets		(90)	(3)
Net cash used in investing activities		\$ (6,854)	\$ (18,029)
Cash flows provided by financing activities			
Payment of lease principal	6	(88)	(73)
Proceeds from exercise of stock options and warrants	10	315	155
Repurchase of shares under normal course issuer bid	10	(307)	-
Net cash provided by (used in) financing activities		\$ (80)	\$ 82
Net increase (decrease) in cash		\$ (8,796)	\$ (21,404)
Cash, beginning of fiscal period		46,724	104,183
Cash, end of fiscal period		\$ 37,928	\$ 82,779

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

(Expressed in CDN \$000's, except for share amounts)	Number of Multiple Voting Shares	Number of Subordinated Voting Shares	Share capital	Share-based payment reserve	Contributed surplus	Retained earnings (deficit)	Shareholders' equity
Balance at March 31, 2019	36,468,318	150,592,136	\$ 281,320	\$ 23,646	\$ 58,609	\$ 44,611	\$ 408,186
Repayment of share purchase loans	-	-	19	-	-	-	19
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	377,775	1,061	(1,061)	-	-	-
Exercise of options (excluding seed capital options)	-	111,665	407	(340)	-	-	67
Share-based compensation (seed capital options)	-	-	-	861	-	-	861
Share-based compensation (consultant, and employee and director options)	-	-	-	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
Exercise of warrants	-	-	-	-	-	-	-
Share-based compensation (seed capital options)	-	-	-	494	-	-	494
Share-based compensation (consultant, and employee and director options)	-	-	-	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
Balance at March 31, 2020	36,468,318	152,837,131	\$ 284,646	\$ 28,288	\$ 58,859	\$ (73,515)	\$ 298,278
Repayment of share purchase loans	-	-	32	-	-	-	32
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	638,891	1,582	(1,582)	-	-	-
Exercise of options (excluding seed capital options)	-	100,000	358	(299)	-	-	59
Shares repurchased and cancelled under normal course issuer bid	-	(109,100)	(136)	-	-	-	(136)
Share-based compensation (seed capital options)	-	-	-	59	-	-	59
Share-based compensation (consultant, and employee and director options)	-	-	-	733	-	-	733
Share-based compensation (restricted share units)	-	-	-	117	-	-	117
Net loss	-	-	-	-	-	(3,426)	(3,426)
Other comprehensive income	-	-	-	-	-	10,701	10,701
Balance at June 30, 2020	36,468,318	153,466,922	\$ 286,482	\$ 27,316	\$ 58,859	\$ (66,240)	\$ 306,417
Repayment of share purchase loans	-	-	63	-	-	-	63
Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans	-	1,266,668	3,097	(3,097)	-	-	-
Exercise of options (excluding seed capital options)	-	266,667	905	(745)	-	-	160
Shares repurchased and cancelled under normal course issuer bid	-	(164,200)	(181)	-	-	-	(181)
Share-based compensation (seed capital options)	-	-	-	(1,308)	-	-	(1,308)
Share-based compensation (consultant, and employee and director options)	-	-	-	355	-	-	355
Share-based compensation (restricted share units)	-	-	-	(5)	-	-	(5)
Share-based compensation (performance share units)	-	-	-	404	-	-	404
Net loss	-	-	-	-	-	(110,381)	(110,381)
Other comprehensive income	-	-	-	-	-	23,417	23,417
Balance at September 30, 2020	36,468,318	154,836,057	\$ 290,366	\$ 22,920	\$ 58,859	\$ (153,204)	\$ 218,941

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(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 identifies strategic counterparties seeking financial and/or operating support, and aims to provide investor returns through dividends and capital appreciation, while generating interest, lease, and royalty income to finance employee compensation, professional fees, and other general and administrative costs associated with operating the business to generate these returns. Canopy Rivers is a publicly-traded corporation listed on the TSX under the trading symbol "RIV".

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

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

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

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

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

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on November 7, 2020.

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

(b) Basis of measurement

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 8, 9, and 13 for fair value considerations.

(c) Basis of preparation

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

Except as discussed in Note 3, the same accounting policies and methods of computation were followed in the preparation of the Interim Financial Statements as were followed in the preparation of the audited annual consolidated financial statements as at and for the twelve months ended March 31, 2020 (the "Annual Financial Statements"), prepared in accordance with IFRS as issued by the IASB.

The notes presented in the Interim Financial Statements include, in general, only significant changes and transactions occurring since March 31, 2020. As such, certain disclosures included in the Interim Financial Statements have been condensed or omitted. Accordingly, the Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

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

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

(d) Principles of consolidation

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

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

As at September 30, 2020, the Company controlled the following legal entities:

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

The Company does not control any of its other investees.

3. CHANGES IN ACCOUNTING POLICY

The significant accounting policies used in preparing these Interim Financial Statements are unchanged from those disclosed in the Annual Financial Statements and have been applied consistently to all periods presented in these Interim Financial Statements.

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

4. PHARMHOUSE

PharmHouse Inc. ("PharmHouse"), a joint venture formed on May 7, 2018, between the Company and 2615975 Ontario Limited (the "PharmHouse Majority Shareholder"), is a company licensed to cultivate cannabis under the Cannabis Act.

a) CCAA Proceedings

During the three months ended September 30, 2020, for a variety of reasons, it was determined that the previously anticipated timeline for PharmHouse to generate cash flows from its offtake agreements with CGC and TerrAscend Canada (as defined herein) would not be met, and the ultimate timing and receipt of cash inflows pursuant to these agreements became uncertain. As a result of these factors, as well as broader sector-wide challenges impacting the Canadian cannabis industry (including a slower-than-expected build-up of the market and a general imbalance of supply and demand), PharmHouse did not have sufficient liquidity and capital resources to meet its business objectives and became unable to meet its financial obligations as they became due.

Accordingly, on September 15, 2020, PharmHouse obtained an order (the "Initial Order") from the Ontario Superior Court of Justice (the "Court") granting PharmHouse creditor protection under the Companies' Creditors Arrangement Act ("CCAA") (the "CCAA Proceedings"). Ernst & Young Inc. was appointed by the Court to act as the Monitor of PharmHouse in the CCAA Proceedings while PharmHouse explores a potential restructuring of its business and operations (the "Restructuring").

b) PharmHouse Recoverability Assessment

As a result of the CCAA Proceedings and the Restructuring, the Company determined that there were indicators that the carrying values of its investments in various PharmHouse-related financial assets may not be recoverable. These investments are described in Notes 4(d), 4(e), and 4(f).

The Company assessed the differences between the carrying values and recoverable amounts for its various PharmHouse-related financial assets by estimating the recoverable amount of PharmHouse en bloc. Due to the lack of profitable operating history of PharmHouse as a cannabis entity, the Company estimated the recoverable amount of PharmHouse en bloc using the total fair value less costs of disposal ("FVLCD") of PharmHouse's assets, and then compared this amount to the carrying values of the various PharmHouse-related financial assets held by the Company, in sequence based on the priority of claims on PharmHouse's assets (the "PharmHouse Recoverability Assessment").

In determining the FVLCD of PharmHouse's assets, the Company used an asset-based approach assuming an orderly liquidation scenario wherein the PharmHouse greenhouse facility is sold for purposes other than cannabis operations and the company's other assets are liquidated. The significant components of this fair value analysis included PharmHouse's greenhouse facility and retrofits, separable machinery and equipment, saleable inventory, and cash. Based on the foregoing, as at September 30, 2020, the Company estimated the recoverable value of PharmHouse's assets in a liquidation scenario to be approximately \$65,000.

The impact of the PharmHouse Recoverability Assessment on the Company's various PharmHouse-related financial instruments is described in Notes 4(c), 4(d), 4(e) and 4(f). Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

c) PharmHouse Guarantee

Prior to September 30, 2020, PharmHouse entered a syndicated credit agreement (as amended, the "PharmHouse Credit Agreement") with a number of Canadian banks (the "Lenders") for a committed, non-revolving credit facility with a maximum principal amount of \$90,000, which was fully drawn. 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 Guarantee"). Accordingly, if PharmHouse is not able to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, the Company may be required to compensate the lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contains other covenants applicable to the Company.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Based on the PharmHouse Recoverability Assessment described in Note 4(b), the Company determined that the recoverable amount of PharmHouse's assets under an orderly liquidation scenario where the facility is not used for cannabis operations may be less than the principal amount owed by PharmHouse to the Lenders pursuant to the PharmHouse Credit Facility. Accordingly, the Company estimated the provision for expected credit losses on its financial guarantee liability related to the PharmHouse Guarantee, which previously had a carrying value of \$nil, to reflect the estimated shortfall between the recoverable amount of PharmHouse en bloc and the Company's exposure to the PharmHouse Credit Facility.

As at September 30, 2020, the Company estimated the carrying value of the PharmHouse Guarantee to be \$25,000 and recognized a financial guarantee liability for this amount on its statement of financial position (March 31, 2020 – \$nil), as well as a corresponding provision for expected credit losses on the PharmHouse Guarantee on its statement of comprehensive loss for the three and six months ended September 30, 2020 (three and six months ended September 30, 2019 – \$nil).

d) DIP Financing

Pursuant to the Initial Order, Canopy Rivers entered an agreement to provide a super-priority, debtor-in-possession ("DIP") interim, non-revolving credit facility up to a maximum principal amount of \$7,214 to PharmHouse (the "DIP Financing") to enable the company to continue its day-to-day operations throughout the anticipated Restructuring. The DIP Financing, which is subordinate to PharmHouse's obligations to the Lenders under the PharmHouse Credit Facility, bears interest at a rate of 8% per annum, calculated and compounded monthly and payable on the maturity date, which is the earlier of December 29, 2020, and the date the CCAA Proceedings are terminated. The DIP Financing represents a financial asset that is initially measured at fair value and subsequently measured at amortized cost. As at September 30, 2020, the Company had advanced \$2,100 pursuant to the DIP Financing.

Based on the PharmHouse Recoverability Assessment described in Note 4(b), the Company determined the amounts advanced pursuant to the DIP Financing may not be recoverable. Accordingly, for the three and six months ended September 30, 2020, the Company recognized a provision for expected credit losses of \$2,100 on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$nil).

e) Loans receivable

As at September 30, 2020, the Company had advanced \$40,000 of secured debt financing pursuant to a shareholder loan agreement with PharmHouse (March 31, 2020 – \$40,000). The shareholder loan has a three-year term and an annual interest rate of 12%, with interest calculated monthly (effective as at the date principal is advanced) and payable quarterly upon the achievement of certain sales-related milestones. As a result of the PharmHouse Recoverability Assessment described in Note 4(b), the Company concluded that the amounts advanced pursuant to the shareholder loan agreement may not be recoverable and recorded a provision for expected credit losses of \$40,000 for the three and six months ended September 30, 2020, on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$nil).

As at September 30, 2020, the Company had advanced \$2,450 to PharmHouse pursuant to a secured demand promissory note (March 31, 2020 – \$2,450). The secured demand promissory note is non-interest bearing both before and after demand or default. Based on the terms of the secured demand promissory note, the Company had recognized the secured demand promissory note as a financial asset initially recorded at fair value and subsequently measured at amortized cost. As a result of the PharmHouse Recoverability Assessment described in Note 4(b), the Company concluded that the amounts advanced pursuant to the secured demand promissory note may not be recoverable and recorded a provision for expected credit losses of \$2,450 for the three and six months ended September 30, 2020, on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$nil).

On August 4, 2020, the Company entered into an unsecured demand promissory note agreement with PharmHouse, pursuant to which it made total advances of \$1,206 between August 4, 2020, and September 8, 2020. The unsecured promissory note bears interest at a rate of 12% per annum, calculated and compounded monthly, and is payable on the demand date. Based on the terms of the unsecured demand promissory note, the Company has recognized the instrument as a financial asset initially recorded at fair value and subsequently measured at amortized cost. As a result of the PharmHouse Recoverability Assessment described in Note 4(b), the Company concluded that the amounts advanced pursuant to the unsecured demand promissory note may not be recoverable and recorded a provision for expected credit losses of \$1,206 for the three and six months

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
(Expressed in CDN \$000's except share amounts)

ended September 30, 2020, on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$nil).

Based on the terms of these various loan instruments, including the DIP Financing, gross interest income of \$1,242 and \$2,447 was recognized for the three and six months ended September 30, 2020, respectively (three and six months ended September 30, 2019 – \$1,222 and \$2,431, respectively). However, as a result of the PharmHouse Recoverability Assessment described in Note 4(b), the Company concluded that the interest receivable across these loan instruments may not be recoverable, and recorded a full provision for expected credit losses of \$8,939 for the three and six months ended September 30, 2020, on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$nil). Accordingly, as at September 30, 2020, the Company had \$nil interest receivable relating to the Company's loans receivable from PharmHouse, net of provisions for expected credit losses (March 31, 2020 – \$6,492).

f) PharmHouse equity

As at September 30, 2020, the Company owned 10,998,660 common shares of PharmHouse (March 31, 2020 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in PharmHouse.

In accordance with IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"), the Company records its share of income or loss from equity method investees one quarter in arrears, and makes necessary adjustments to account for any significant events or transactions that have occurred since the indicated reporting period end. Due to the fact that the CCAA Proceedings occurred subsequent to the end of the relevant reporting period for PharmHouse, the Company adjusted PharmHouse's net income for the three months ended June 30, 2020, to account for the impairment on fixed assets implied by the PharmHouse Recoverability Assessment described in Note 4(b).

Accordingly, the Company recognized its share of loss from PharmHouse of \$32,607 and \$37,025 for the three and six months ended September 30, 2020, on its statement of comprehensive loss (three and six months ended September 30, 2019 – \$453 and \$695, respectively.) The carrying value of the Company's common equity investment in PharmHouse as at September 30, 2020, was \$nil on its statement of financial position (March 31, 2020 – \$37,026).

g) Restructuring costs

Restructuring costs of \$428 were recognized for the three and six months ended September 30, 2020, on the statement of comprehensive loss relating to legal and consulting fees incurred as a result of the Restructuring and the Claim (three and six months ended September 30, 2019 – \$nil).

h) Statement of claim

On September 14, 2020, the Company received a statement of claim (the "Claim") filed by the PharmHouse Majority Shareholder concerning certain disputes relating to PharmHouse. The Claim makes a number of allegations against the Company, CGC, TerrAscend (as defined herein), and TerrAscend Canada, including claims relating to bad faith, fraud, civil conspiracy, breach of the duty of honesty and good faith in contractual relations, and breach of fiduciary duty, and claims relating to PharmHouse's offtake agreements with CGC and TerrAscend Canada.

The Company considers the Claim as it relates to its own actions to be completely without merit, and intends to vigorously defend its position at the appropriate time and in the appropriate forum. The Company has not recognized any provision relating to the Claim.

5. BROKERAGE PAYMENTS DEPOSIT

On October 23, 2019, the Company entered a strategic alliance with Kindred Partners Inc. ("Kindred"), a Canadian specialty cannabis brokerage and services company. The strategic alliance was intended to provide

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

the Company's licensed producer portfolio companies with better access to Kindred's expertise and distribution channels in order to enhance their revenue-generating capabilities.

Under the terms of the strategic alliance agreement, as amended, the Company will arrange, on a best-efforts basis, for its licensed producer portfolio companies to enter into brokerage agreements with Kindred. On a quarterly basis and for a specified period, the minimum aggregate brokerage fees that must be paid by the Company's portfolio companies to Kindred is \$750, and the difference, if any, between the actual brokerage fees paid by the Company's portfolio companies to Kindred and the applicable minimum aggregate brokerage fee is payable by the Company to Kindred (the "Brokerage Payments"). In connection with the original agreement, the Company provided Kindred with a \$1,000 refundable deposit, to be used to cover any required Brokerage Payments (the "Brokerage Payments Deposit"). As at March 31, 2020, the Brokerage Payments Deposit had been reduced by \$167.

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

For the three and six months ended September 30, 2020, the Company recorded a Brokerage Payment expense of \$583 and \$1,706 (three and six months ended September 30, 2019 – not applicable). As at September 30, 2020, Brokerage Payment expense of \$1,000 had been applied against the \$1,000 Brokerage Payments Deposit, additional shortfall amounts of \$289 had been paid to Kindred, and a further shortfall of \$583 was recorded as a payable to Kindred. Please refer to Note 14 for additional details.

6. FINANCE LEASE RECEIVABLE

In August 2017, the Company acquired a building located in New Brunswick, Canada. The building was leased to The Tweed Tree Lot Inc. ("Tweed Tree Lot"), formerly Spot Therapeutics Inc., a company licensed to cultivate cannabis under the Cannabis Act and wholly-owned subsidiary of CGC, under a financing lease agreement for a period of 20 years commencing on October 6, 2017, for an aggregate total of minimum payments due of \$14,773.

	As at September 30, 2020	As at March 31, 2020
Non-current finance lease receivable	\$ 2,818	\$ 2,772
Total	\$ 2,818	\$ 2,772

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

	As at September 30, 2020		As at March 31, 2020	
	Minimum Lease Payments	Applied to Principal	Minimum Lease Payments	Applied to Principal
No later than one year	\$ 563	\$ (138)	\$ 563	\$ (97)
Between one year and five years	2,602	(306)	2,543	(328)
Later than five years	9,929	3,262	10,269	3,197
	\$ 13,094	\$ 2,818	\$ 13,375	\$ 2,772
Less: Unearned finance income	(10,276)	-	(10,603)	-
Present value of minimum lease payments	\$ 2,818	\$ 2,818	\$ 2,772	\$ 2,772
Allowance for uncollectible lease payments	-	-	-	-
	\$ 2,818	\$ 2,818	\$ 2,772	\$ 2,772

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

The unguaranteed residual value of the building under lease is estimated to be \$2,609 (March 31, 2020 – \$2,609). The interest rate inherent in the lease is fixed at the contract date for the entire lease term at a rate of approximately 23.4%.

Income on finance lease receivable of \$169 and \$336 (inclusive of management fee income) was recognized for three and six months ended September 30, 2020 (three and six months ended September 30, 2019 – \$164 and \$327, respectively). The finance lease receivable as at September 30, 2020, and March 31, 2020, is neither past due nor impaired.

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

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

Name and Classification of Associate or Joint Venture	Intended Principal Activity	Nature of Investment	Place of Principal Business	Method of Accounting	Note	September 30, 2020 Ownership Interest (Non-Diluted)
Radicle (Associate)	Vertically-integrated cannabis operations	Common shares	Canada	Equity method	7(a)	25% ⁽ⁱ⁾
		Royalty interest		FVTPL	8(c)	
		Convertible debenture		FVTPL	8(c)	
		Warrants		FVTPL	8(c)	
Civilized (Associate)	Media company and lifestyle brand	Convertible debenture	Canada	FVTPL	7(b) 8(e)	0% ⁽ⁱⁱ⁾
		Warrants		FVTPL	8(e)	
PharmHouse (Joint Venture)	Vertically-integrated cannabis operations	DIP Financing	Canada	Amortized cost	4(d)	49% ⁽ⁱⁱⁱ⁾
		Shareholder loan		Amortized cost	4(e)	
		Secured promissory note		Amortized cost	4(e)	
		Unsecured promissory note		Amortized cost	4(e)	
		Common shares		Equity method	4(f)	
Canapar (Associate)	Hemp-derived CBD extraction	Common shares	Italy	Equity method	7(c)	49% ^(iv)
		Call option		FVTPL	8(f)	
Greenhouse Juice (Associate)	Plant-based beverage production and distribution	Convertible debentures	Canada	FVTPL	7(d) 8(g)	0% ^(v)
		Warrants		FVTPL	8(g)	
Herbert (Associate)	Adult-use cannabis beverage production and distribution	Preferred shares	Canada	Equity method	7(e)	27% ^(vi)
		Warrant		FVTPL	8(h)	
LeafLink Intl. (Associate)	B2B supply chain and marketplace technology platform	Common shares	Canada	Equity method	7(f)	17% ^(vii)
High Beauty (Associate)	Cannabis beauty products production and distribution	Preferred shares	United States	Equity method	7(g)	21% ^(viii)
		Convertible promissory note		FVTPL	8(i)	
		Warrants		FVTPL	8(i)	

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

- (i) The Company owns 25% 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, 2020, the Company did not hold any voting shares in Civilized. The Company has provided debt financing in the form of a convertible debenture and holds warrants in Civilized that together, if exercised, represent approximately 26% of the equity of Civilized on a fully diluted basis. Additionally, the Company has the right to designate 20% of the director nominees.
- (iii) The Company owns 49% of the equity of PharmHouse on a fully diluted basis and has the right to designate 40% of the director nominees. Please refer to Note 4 for additional details regarding the Company's investment in PharmHouse.
- (iv) The Company owns 45% of the equity of Canapar Corp. on a fully diluted basis. Canapar Corp. is a private company incorporated in Canada that owns 100% of the issued and outstanding common shares of Canapar Srl, an Italian entity. Additionally, the Company has the right to designate one nominee to Canapar Corp.'s three-member board of directors; the Company's nomination right increases to two nominees in the event that the number of members of Canapar Corp.'s board of directors increases above five members.
- (v) As at September 30, 2020, the Company did not hold any voting shares in Greenhouse Juice. The Company has provided debt financing in the form of convertible debentures and holds warrants in Greenhouse Juice that together, if exercised, represent approximately 27% of the equity of Greenhouse Juice on a fully diluted basis (excluding the control warrant, discussed below). Additionally, the Company has the right to designate 20% of the director nominees.
- (vi) The Company owns 25% of the equity of Herbert on a fully diluted basis (excluding the control warrant, discussed below) and has the right to designate 20% of the director nominees.
- (vii) The Company owns 17% of the equity of LeafLink Intl. on a fully diluted basis and has the right to designate 33% of the director nominees.
- (viii) The Company owns 20% of the equity of High Beauty on a fully diluted basis and has the right to designate 20% of the director nominees.

As identified above, only certain investments in associates are accounted for using the equity method. The following tables outline changes in the Company's equity method investees for the three and six months ended September 30, 2020, and 2019.

Entity	Balance at July 1, 2020	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Balance at September 30, 2020
Radicle	\$ 3,060	\$ -	\$ (18)	\$ -	\$ -	\$ 3,042
PharmHouse ⁽¹⁾	32,607	-	(32,607)	-	-	-
Canapar	8,171	-	(310)	-	-	7,861
Herbert	-	-	-	-	-	-
LeafLink Intl.	2,441	-	(59)	-	-	2,382
High Beauty	256	-	(163)	-	1	94
Total	\$ 46,535	\$ -	\$ (33,157)	\$ -	\$ 1	\$ 13,379

⁽¹⁾ The Company's share of loss relating to its investment in PharmHouse includes an impairment charge on the carrying value of PharmHouse's underlying assets based on the PharmHouse Recoverability Assessment described in Note 4(b).

Entity	Balance at July 1, 2019	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Balance at September 30, 2019
Radicle	\$ 2,964	\$ -	\$ 127	\$ -	\$ -	\$ 3,091
PharmHouse	39,036	-	(453)	-	-	38,583
Canapar	17,885	-	(82)	-	-	17,803
Herbert	1,366	-	(25)	-	-	1,341
LeafLink Intl.	2,637	-	(59)	-	-	2,578
High Beauty	2,812	-	(190)	-	36	2,658
Total	\$ 66,700	\$ -	\$ (682)	\$ -	\$ 36	\$ 66,054

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Entity	Balance at April 1, 2020	Additions	Share of income / (loss)	Dividend / interest income	FX gain / (loss)	Balance at September 30, 2020
Radicle ⁽¹⁾	\$ 1,937	\$ -	\$ 1,105	\$ -	\$ -	\$ 3,042
PharmHouse ⁽²⁾	37,025	-	(37,025)	-	-	-
Canapar	8,500	-	(639)	-	-	7,861
Herbert	100	-	(100)	-	-	-
LeafLink Intl.	2,481	-	(99)	-	-	2,382
High Beauty	500	-	(384)	-	(22)	94
Total	\$ 50,543	\$ -	\$ (37,142)	\$ -	\$ (22)	\$ 13,379

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

⁽²⁾ The Company's share of loss relating to its investment in PharmHouse includes an impairment charge on the carrying value of PharmHouse's underlying assets based on the PharmHouse Recoverability Assessment described in Note 4(b).

Entity	Balance at April 1, 2019	Additions	Share of income / (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

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, 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, 2020

Entity ⁽¹⁾	Applicable reporting period	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Income / (loss)
Radicle	Jun. 30, 2020	\$ 5,900	\$ 8,844	\$ 713	\$ 10,350	\$ 3,824	\$ (1,258)
Canapar	Jun. 30, 2020	13,676	10,949	2,002	-	19	(1,300)
Herbert	Jun. 30, 2020	181	1,003	640	-	33	(574)
LeafLink Intl.	Jun. 30, 2020	2,685	11,883	259	-	7	(614)
High Beauty	Jun. 30, 2020	1,159	330	2,889	1,222	366	(1,857)

⁽¹⁾ The table above does not reflect the financial position and operating results of PharmHouse. Please refer to Note 4 for additional details regarding material events that occurred at PharmHouse during the six months ended September 30, 2020.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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)

The Company assessed its investments in associates and joint venture for indicators of impairment as at September 30, 2020, and, where indicators were present, conducted additional analysis to determine whether the carrying values of the relevant equity investments were greater than the corresponding recoverable amounts. The carrying value of an investment in an associate or joint venture is assessed for impairment after first applying the equity method.

While impairment indicators existed for the Company's equity investment in PharmHouse as at September 30, 2020, the carrying value had already been reduced to \$nil after applying the equity method. Refer to Note 4(f) for further details on the Company's equity investment in PharmHouse.

The Company concluded that no impairment charges were to be recognized for the three and six months ended September 30, 2020 (three and six months ended September 30, 2019 - \$nil).

Please refer to the Annual Financial Statements for details on impairment testing performed by the Company as at March 31, 2020, and impairment charges recognized for the period then-ended.

INVESTMENTS HELD AS AT MARCH 31, 2020

a) Radicle

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

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

The convertible debenture and warrants are accounted for at fair value through profit or loss ("FVTPL"). Please refer to Note 8(c) for additional details on the Company's investment in Radicle.

b) Civilized

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

As at September 30, 2020, the Company had advanced \$5,120 to Civilized pursuant to a convertible debenture agreement (March 31, 2020 – \$5,120), which was convertible into 467,580 class A common shares of Civilized (March 31, 2020 – 467,580 class A common shares). The Company also held common share purchase warrants in Civilized. Both the convertible debenture and warrants are currently exercisable and, if exercised, would together represent approximately 26% of the equity of Civilized on a fully diluted basis as at September 30, 2020.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

c) Canapar

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

As at September 30, 2020, the Company owned 29,833,333 common shares of Canapar (March 31, 2020 – 29,833,333), representing a 49% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in Canapar. The Company also owned a call option to purchase 100% of Canapar's interest in its investees.

The call option is accounted for at FVTPL. Please refer to Note 8(f) for additional details on the Company's investment in Canapar.

d) Greenhouse Juice Company

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

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

On April 30, 2020, and August 16, 2020, the Company and Greenhouse Juice amended select terms of the unsecured convertible debenture agreement. As a result of the agreed-upon amendments, the date upon which the outstanding principal converts into common shares was extended from April 30, 2020, to October 1, 2020.

The secured convertible debenture, unsecured convertible debenture, and warrants are accounted for at FVTPL. Please refer to Note 8(g) for additional details on the Company's investment in Greenhouse Juice.

e) Herbert

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

As at September 30, 2020, the Company owned 4,074,074 preferred shares of Herbert (March 31, 2020 – 4,074,074), representing a 27% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its preferred share investment in Herbert. The Company also owned a warrant that, if exercised, would increase its ownership interest in Herbert to 51%.

As at June 30, 2020, as a result of previously-recognized impairment charges and cumulative net losses, the carrying value of the Company's investment in Herbert preferred shares had been reduced to \$nil.

The warrant is accounted for at FVTPL. Please refer to Note 8(h) for additional details on the Company's investment in Herbert.

f) LeafLink Intl.

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

As at September 30, 2020, the Company owned 2,000,000 common shares of LeafLink Intl. (March 31, 2020 – 2,000,000), representing a 17% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in LeafLink Intl.

g) High Beauty

High Beauty Inc. ("High Beauty") is a producer and distributor of cannabis-based beauty products, including the brands *high* and *CanBE Naturally*.

As at September 30, 2020, the Company owned 2,500,000 preferred shares of High Beauty (March 31, 2020 – 2,500,000). The Company had not yet received any distributions on account of its preferred share investment in High Beauty. The Company had also advanced \$1,009 to High Beauty pursuant to a senior secured convertible promissory note and owned preferred share purchase warrants. Together, the Company's investments represented a 20% equity interest in High Beauty on a fully diluted basis as at September 30, 2020.

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Three months ended September 30, 2020									
Entity ⁽¹⁾	Instrument	Note	Balance at Jun. 30, 2020	Addi- tions	Net change in fair value	Conver- sions / Disposi- tions	Balance at Sep. 30, 2020	Dividend / interest / royalty income	Dividend / interest / royalty receiv- able ⁽²⁾
Agripharm	Royalty interest	8(a)	\$ 12,800	\$ -	\$ (6,100)	\$ -	\$ 6,700	\$ 13	\$ 890
Radicle	Royalty interest	8(c)	4,100	-	100	-	4,200	167	162
Radicle	Convertible debenture	8(c)	880	-	(40)	-	840	30	89
Radicle	Warrants	8(c)	50	-	(10)	-	40	-	-
Vert Mirabel	Preferred shares	8(d)	20,800	-	850	-	21,650	-	-
Civilized	Convertible debenture	8(e)	1,000	-	(500)	-	500	-	-
Canapar	Call option	8(f)	1,100	-	-	-	1,100	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	7,500	-	(2,400)	-	5,100	215	1,210
Greenhouse Juice	Unsecured convertible debenture	8(g)	3,000	-	(1,700)	-	1,300	-	-
Greenhouse Juice	Warrants	8(g)	390	-	(380)	-	10	-	-
High Beauty	Convertible promissory note	8(i)	840	-	140	-	980	-	-
High Beauty	Warrants	8(i)	60	-	-	-	60	-	-
BioLumic	Convertible promissory note	8(j)	2,400	-	(261)	(2,139)	-	-	-
BioLumic	Second convertible promissory note	8(j)	-	668	2	-	670	-	-
Tweed Tree Lot	Royalty interest	8(k)	15,100	-	4,300	-	19,400	2,031	2,031
TerrAscend Canada	Term Loan	8(l)	11,200	-	2,300	-	13,500	199	751
TerrAscend	Warrants II	8(l)	120	-	160	-	280	-	-
Dynaleo	Convertible debenture	8(m)	2,000	-	65	(2,065)	-	-	-
Dynaleo	Warrants	8(m)	460	-	400	-	860	-	-
Headset	Convertible promissory note	8(n)	-	1,080	20	-	1,100	-	-
Total			\$ 83,800	\$ 1,748	\$ (3,054)	\$ (4,204)	\$ 78,290	\$ 2,655	\$ 5,133

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

⁽²⁾ Presented net of provisions for expected credit losses.

CANOPY RIVERS INC.
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Three months ended September 30, 2019									
Entity	Instrument	Note	Balance at Jun. 30, 2019	Addi- tions	Net change in fair value	Conver- sions / Disposi- tions	Balance at Sep. 30, 2019	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Repayable debenture/ royalty interest	8(a)	\$ 14,061	\$ 5,000	\$ 486	\$ -	\$ 19,547	\$ 277	\$ 276
Agripharm	Warrant	8(a)	232	-	(146)	-	86	-	-
JWC	Royalty interest	8(b)	2,640	-	(5)	-	2,635	122	122
JWC	Warrants	8(b)	323	-	(54)	(269)	-	-	-
Radicle	Royalty interest	8(c)	5,056	-	(4)	-	5,052	194	194
Vert Mirabel	Preferred shares	8(d)	17,958	-	724	-	18,682	-	-
Civilized	Convertible debenture	8(e)	3,674	-	(201)	-	3,473	-	-
Civilized	Warrants	8(e)	326	-	(100)	-	226	-	-
Canapar	Call option	8(f)	7,100	-	(1,100)	-	6,000	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	7,962	-	(80)	-	7,882	192	525
Greenhouse Juice	Unsecured convertible debenture	8(g)	3,005	-	4	-	3,009	-	-
Greenhouse Juice	Warrants	8(g)	339	-	(87)	-	252	-	-
Herbert	Warrant	8(h)	100	-	(57)	-	43	-	-
High Beauty	Warrant	8(i)	534	-	3	-	537	-	-
BioLumic	Convertible promissory note	8(j)	2,028	-	58	-	2,086	-	-
Total			\$ 65,338	\$ 5,000	\$ (559)	\$ (269)	\$ 69,510	\$ 785	\$ 1,117

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Six months ended September 30, 2020									
Entity ⁽¹⁾	Instrument	Note	Balance at Mar. 31, 2020	Addi- tions	Net change in fair value	Conver- sions / Disposi- tions	Balance at Sep. 30, 2020	Dividend / interest / royalty income	Dividend / interest / royalty receiv- able ⁽²⁾
Agripharm	Royalty interest	8(a)	\$ 12,600	\$ -	\$ (5,900)	\$ -	\$ 6,700	\$ 78	\$ 890
Radicle	Royalty interest	8(c)	4,000	-	200	-	4,200	249	162
Radicle	Convertible debenture	8(c)	880	-	(40)	-	840	60	89
Radicle	Warrants	8(c)	50	-	(10)	-	40	-	-
Vert Mirabel	Preferred shares	8(d)	20,000	-	1,650	-	21,650	-	-
Civilized	Convertible debenture	8(e)	2,100	-	(1,600)	-	500	-	-
Canapar	Call option	8(f)	1,100	-	-	-	1,100	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	7,500	-	(2,400)	-	5,100	422	1,210
Greenhouse Juice	Unsecured convertible debenture	8(g)	3,000	-	(1,700)	-	1,300	-	-
Greenhouse Juice	Warrants	8(g)	390	-	(380)	-	10	-	-
High Beauty	Convertible promissory note	8(i)	850	-	130	-	980	-	-
High Beauty	Warrants	8(i)	90	-	(30)	-	60	-	-
BioLumic	Convertible promissory note	8(j)	2,400	-	(261)	(2,139)	-	-	-
BioLumic	Second convertible promissory note	8(j)	-	668	2	-	670	-	-
Tweed Tree Lot	Royalty interest	8(k)	15,100	-	4,300	-	19,400	2,744	2,031
TerrAscend Canada	Term Loan	8(l)	10,000	-	3,500	-	13,500	397	751
TerrAscend	Warrants II	8(l)	110	-	170	-	280	-	-
Dynaleo	Convertible debenture	8(m)	-	1,613	452	(2,065)	-	-	-
Dynaleo	Warrants	8(m)	-	387	473	-	860	-	-
Headset	Convertible promissory note	8(n)	-	1,080	20	-	1,100	-	-
Total			\$ 80,170	\$ 3,748	\$ (1,424)	\$ (4,204)	\$ 78,290	\$ 3,950	\$ 5,133

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

⁽²⁾ Presented net of provisions for expected credit losses.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Six months ended September 30, 2019									
Entity	Instrument	Note	Balance at Mar. 31, 2019	Additions	Net change in fair value	Conversions / Dispositions	Balance at Sep. 30, 2019	Dividend / interest / royalty income	Dividend / interest / royalty receivable
Agripharm	Repayable debenture/royalty interest	8(a)	\$ 10,255	\$ 8,000	\$ 1,292	\$ -	\$ 19,547	\$ 521	\$ 276
Agripharm	Warrant	8(a)	461	-	(375)	-	86	-	-
JWC	Royalty interest	8(b)	2,644	-	(9)	-	2,635	244	122
JWC	Warrants	8(b)	824	-	(555)	(269)	-	-	-
Radicle	Royalty interest	8(c)	5,064	-	(12)	-	5,052	414	194
Vert Mirabel	Preferred shares	8(d)	16,994	-	1,688	-	18,682	-	-
Civilized ⁽¹⁾	Convertible debenture	8(e)	4,250	-	(777)	-	3,473	-	-
Civilized	Warrants	8(e)	760	-	(534)	-	226	-	-
Canapar	Call option	8(f)	7,500	-	(1,500)	-	6,000	-	-
Greenhouse Juice	Secured convertible debenture	8(g)	5,853	-	2,029	-	7,882	375	525
Greenhouse Juice	Unsecured convertible debenture	8(g)	-	3,000	9	-	3,009	-	-
Greenhouse Juice	Warrants	8(g)	-	-	252	-	252	-	-
Herbert	Warrant	8(h)	100	-	(57)	-	43	-	-
High Beauty	Warrant	8(i)	-	468	69	-	537	-	-
BioLumic	Convertible promissory note	8(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, it was determined that the convertible debenture interest receivable would not be recovered until maturity or conversion. The Company determined that it would no longer recognize interest receivable on the instrument, which was reported at \$629 as at March 31, 2019. The impact of this new estimate was 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, 2020, is \$20 relating to the Company's interest receivable from cash deposits held.

INVESTMENTS HELD AS AT MARCH 31, 2020
a) Agripharm

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

As at September 30, 2020, the Company had advanced \$20,000 to Agripharm that was subject to a royalty agreement (March 31, 2020 – \$20,000). Under the terms of the royalty agreement, the Company is intended to receive a royalty per gram of applicable Agripharm cannabis production for a term of 20 years, subject to a minimum annual payment of 20% of the principal amount drawn that is subject to the royalty agreement.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

The royalty interest is measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. During the three and six months ended September 30, 2020, the Company determined that there was a significant risk that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement based on underlying business conditions, including the payment of the outstanding overdue royalty balance owing to the Company of \$1,780 and future minimum annual payments of \$4,000. Accordingly, the Company recognized a provision for expected credit losses on the royalty receivable of \$773 and \$783 for the three and six months ended September 30, 2020, respectively (\$nil for the three and six months ended September 30, 2019) and adjusted the cash flow assumptions used in its fair value estimate for the royalty interest to reflect a projections of royalty cash flows that Agripharm would be expected to be able to service. The Company has also considered the recoverable amount of Agripharm's assets in its fair value measurement of the royalty interest due to the nature of its underlying security interest. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

As at September 30, 2020, the Company also owned a warrant to acquire 4% of Agripharm for \$5,000. The warrant represents a derivative financial instrument that is initially measured at fair value and subsequently measured at FVTPL. As at September 30, 2020, the warrant was estimated to have a nominal value (March 31, 2020 – nominal).

b) JWC

James E. Wagner Cultivation Corporation ("JWC") was a publicly-traded company with a wholly-owned subsidiary that was licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis extracts, edibles, and topicals under the Cannabis Act.

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

As a result of JWC's CCAA proceedings, the fair values of the Company's previous investments in 16,241,819 JWC common shares, which were initially accounted for at fair value and subsequently at fair value through other comprehensive income ("FVTOCI"), as well as 2,190,476 JWC common share purchase warrants, which represented a derivative financial instrument that was initially measured at fair value and subsequently measured at FVTPL, were reduced to \$nil. Please refer to Notes 9(a) and 13 for additional details on valuation methodology and key inputs and assumptions.

c) Radicle

As at September 30, 2020, the Company had advanced \$5,000 to a wholly-owned subsidiary of Radicle pursuant to a royalty agreement (March 31, 2020 – \$5,000). Under the terms of the royalty agreement, the Company is intended to receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum annual payment of \$900.

The royalty interest is measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

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

e) Civilized

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

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

f) Canapar

As described in Note 7(c), as part of the Company's investment in Canapar, the Company received a call option to purchase 100% of Canapar's interest in its investees. The consideration to be paid upon the exercise of the call option shall be the greater of: (i) eight times EBITDA; and (ii) \$200,000, less the liabilities of the acquired investees, multiplied by the percentage interest that the Company does not own in Canapar at the time of exercise. The option is exercisable for as long as the Company is a shareholder of Canapar.

The call option represents a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

g) Greenhouse Juice

As described in Note 7(d), as at September 30, 2020, the Company had advanced \$6,000 to Greenhouse Juice pursuant to a secured convertible debenture agreement and \$3,000 pursuant to an unsecured convertible debenture agreement. The Company also owned preferred share purchase warrants in Greenhouse Juice, which the Company is required to exercise if certain conditions are met, as well as an additional warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51% (the control warrant).

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

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

h) Herbert

As described in Note 7(e), as at September 30, 2020, the Company owned a warrant that, if exercised, would increase its ownership interest in Herbert to 51%.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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, 2020, the fair value of the control warrant was estimated to have a nominal value (March 31, 2020 – nominal).

i) High Beauty

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

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

j) BioLumic

BioLumic Ltd. (“BioLumic”) is an agricultural technology company based out of New Zealand that has created a sustainable ultraviolet (“UV”) light crop yield enhancement technology, which 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.

On August 13, 2020, the principal amount of \$2,024 (U.S. \$1,500) that the Company had advanced to BioLumic pursuant to a convertible promissory note agreement, which represented a financial asset that was initially measured at fair value and subsequently measured at FVTPL, converted into 381,590 preferred shares of BioLumic. On initial recognition, the Company elected to account for its investment in the preferred shares of BioLumic initially at fair value and subsequently at FVTOCI. Please refer to Notes 9(h) and 13 for additional details on valuation methodology and key inputs and assumptions.

Additionally, on August 13, 2020, the Company advanced \$668 (U.S. \$500) to BioLumic pursuant to a second convertible promissory note agreement. This second convertible promissory note bears interest at a rate of 6%, per annum, is compounded annually, and is convertible into preferred equity of BioLumic at maturity. The note matures on August 13, 2022. 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 preferred shares of BioLumic following the qualified financing. Together with the Company’s preferred shares received following the conversion of the first convertible promissory note, the Company’s investments represented an 11% equity interest in BioLumic on a fully diluted basis as at September 30, 2020.

The second convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

k) Tweed Tree Lot

As at September 30, 2020, the Company advanced \$13,500 to Tweed Tree Lot that was subject to a royalty agreement (March 31, 2020 – \$13,500). Under the terms of the royalty agreement, the Company is intended to receive a royalty per gram of cannabis produced by Tweed Tree Lot for a term of 25 years, subject to a minimum annual payment of \$2,853.

The royalty interest is measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

l) TerrAscend Canada

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

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

The term loan carries a principal amount of \$13,243 (U.S. \$10,000) and bears interest at a rate of 6% per annum, payable on December 31 of each year beginning on December 31, 2020. The loan matures on the earlier of October 2, 2024, and the date that TerrAscend Warrants I (as defined herein) are exercised in full. The first set of common share purchase warrants ("TerrAscend Warrants I") are exercisable into 2,225,714 common shares of TerrAscend at an exercise price of \$5.95 per common share and the second set of common share purchase warrants ("TerrAscend Warrants II") are exercisable into 333,723 common shares of TerrAscend at an exercise price of \$6.49 per common share. The TerrAscend Warrants I and TerrAscend Warrants II are only exercisable following changes in applicable federal laws in the U.S. relating to cannabis and/or changes in the policies of the stock exchange(s) that are applicable to the Company with respect to cannabis-related activities (the "TerrAscend Triggering Event"). The TerrAscend Warrants I and TerrAscend Warrants II expire on October 2, 2024.

The term loan and TerrAscend Warrants I (herein collectively referred to as the "Term Loan") were entered into in contemplation of each other and determined to be linked transactions, as the exercise price of the TerrAscend Warrants I may be applied against the settlement of the term loan. As the transactions are linked, they are treated as a combined instrument for the purpose of classification and measurement under IFRS 9. The Term Loan represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL. The TerrAscend Warrants II represent a derivative financial instrument that is initially measured at fair value and is subsequently measured at FVTPL. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

NEW INVESTMENTS DURING THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020***m) Dynaleo***

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

On August 31, 2020, the principal amount of \$2,000 that the Company had advanced to Dynaleo pursuant to the convertible debenture agreement converted into 1,499,569 common shares of Dynaleo. On initial recognition, the Company elected to account for its investment in the common shares of Dynaleo initially at fair value and subsequently at FVTOCI. Please refer to Notes 9(i) and 13 for additional details.

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

n) 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.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

On August 10, 2020, the Company advanced \$1,080 (U.S. \$800) to Headset pursuant to a convertible promissory note agreement. The convertible promissory note bears interest at a rate of 8% per annum, is compounded annually, and is convertible into common equity of Headset at maturity. The note matures on December 31, 2021. 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 preferred shares of Headset following the qualified financing. Together with the preferred shares (described below), the Company's investments represented an 8% equity interest in Headset on a fully diluted basis as at September 30, 2020.

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

As at September 30, 2020, the Company also owned 1,572,588 preferred shares of Headset (March 31, 2020 – 1,572,588). On initial recognition, the Company elected to account for its investment in the preferred shares of Headset initially at fair value and subsequently at FVTOCI. Please refer to Notes 9(f) and 13 for additional details on valuation methodology and key inputs and assumptions.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In accordance with IFRS 9, the Company has elected to measure certain investments in equity instruments at FVTOCI on initial recognition as these investments are long-term and strategic in nature, and net changes in fair value are more suited to be presented in other comprehensive income. Fair value for subsequent measurement is determined in the manner described in Note 13. Please refer below for further details on these investments.

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

Three months ended September 30, 2020							
Entity ⁽¹⁾	Instrument	Note	Balance at Jun. 30, 2020	Additions ⁽²⁾	Net change in fair value	Dispositions	Balance at Sep. 30, 2020
TerrAscend	Exchangeable Shares	9(b)	\$ 26,500	\$ -	\$ 30,500	\$ -	\$ 57,000
Vert Mirabel	Common shares	9(c)	29,400	-	(3,400)	-	26,000
YSS	Common shares	9(e)	1,523	-	(218)	-	1,305
Headset	Preferred shares	9(f)	4,300	-	(100)	-	4,200
ZeaKal	Preferred shares	9(g)	13,600	-	(300)	-	13,300
BioLumic	Preferred shares	9(h)	-	2,139	61	-	2,200
Dynaleo	Common shares	9(i)	-	2,065	835	-	2,900
Total			\$ 75,323	\$ 4,204	\$ 27,378	\$ -	\$ 106,905

⁽¹⁾ As at September 30, 2020, the Company also owned common shares of Eureka, which are not included in the table above as the estimated fair value of the investment was \$nil at both the beginning and the end of the reporting period.

⁽²⁾ Additions include the conversion of financial assets previously measured at FVTPL.

CANOPY RIVERS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Three months ended September 30, 2019							
Entity	Instrument	Note	Balance at Jun. 30, 2019	Additions	Net change in fair value	Dispositions	Balance at Sep. 30, 2019
JWC	Common shares	9(a)	\$ 8,760	\$ 890	\$ (3,342)	\$ -	\$ 6,308
TerrAscend	Exchangeable Shares	9(b)	70,000	-	(20,000)	-	50,000
Vert Mirabel	Common shares	9(c)	43,867	-	(8,237)	-	35,630
Eureka	Common shares	9(d)	1,085	-	(787)	(150)	148
YSS	Common shares	9(e)	3,482	-	(435)	-	3,047
Headset	Preferred shares	9(f)	3,926	-	47	-	3,973
ZeaKal	Preferred shares	9(g)	13,087	-	154	-	13,241
Total			\$ 144,207	\$ 890	\$ (32,600)	\$ (150)	\$ 112,347

Six months ended September 30, 2020							
Entity ⁽¹⁾	Instrument	Note	Balance at Mar. 31, 2020	Additions ⁽²⁾	Net change in fair value	Dispositions	Balance at Sep. 30, 2020
JWC	Common shares	9(a)	\$ 976	\$ -	\$ (976)	\$ -	\$ -
TerrAscend	Exchangeable Shares	9(b)	23,500	-	33,500	-	57,000
Vert Mirabel	Common shares	9(c)	19,900	-	6,100	-	26,000
YSS	Common shares	9(e)	1,523	-	(218)	-	1,305
Headset	Preferred shares	9(f)	4,500	-	(300)	-	4,200
ZeaKal	Preferred shares	9(g)	14,200	-	(900)	-	13,300
BioLumic	Preferred shares	9(h)	-	2,139	61	-	2,200
Dynaleo	Common shares	9(i)	-	2,065	835	-	2,900
Total			\$ 64,599	\$ 4,204	\$ 38,102	\$ -	\$ 106,905

⁽¹⁾ As at September 30, 2020, the Company also owned common shares of Eureka, which are not included in the table above as the estimated fair value of the investment was \$nil at both the beginning and the end of the reporting period.

⁽²⁾ Additions include the conversion of financial assets previously measured at FVTPL.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Six months ended September 30, 2019							
Entity	Instrument	Note	Balance at Mar. 31, 2019	Additions	Net change in fair value	Dispositions	Balance at Sep. 30, 2019
JWC	Common shares	9(a)	\$ 12,389	\$ 890	\$ (6,971)	\$ -	\$ 6,308
TerrAscend	Exchangeable Shares	9(b)	80,000	-	(30,000)	-	50,000
Vert Mirabel	Common shares	9(c)	34,486	-	1,144	-	35,630
Eureka	Common shares	9(d)	2,170	-	(1,872)	(150)	148
YSS	Common shares	9(e)	4,244	-	(1,197)	-	3,047
Headset	Preferred shares	9(f)	4,009	-	(36)	-	3,973
ZeaKal	Preferred shares	9(g)	-	13,487	(246)	-	13,241
Total			\$ 137,298	\$ 14,377	\$ (39,178)	\$ (150)	\$ 112,347

INVESTMENTS HELD AS AT MARCH 31, 2020
(a) JWC

As described in Note 8(b), as at September 30, 2020, as a result of JWC's CCAA proceedings, the fair value of the Company's previous investment in 16,241,819 JWC common shares was reduced to \$nil. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(b) TerrAscend

TerrAscend Corp. ("TerrAscend") is a publicly-traded company with a wholly-owned subsidiary that is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the Cannabis Act. TerrAscend is listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "TER", and on the OTCQX under the trading symbol "TRSSF".

As at September 30, 2020, the Company owned 19,445,285 conditionally exchangeable shares in the capital of TerrAscend (the "Exchangeable Shares") (March 31, 2020 – 19,445,285). The Exchangeable Shares only become convertible into common shares of TerrAscend following the TerrAscend Triggering Event. The Exchangeable Shares are not transferable or monetizable until exchanged into common shares. In the interim, the Company will not be entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend. The Exchangeable Shares are not tradeable and hold no economic rights other than the possible opportunity to exchange such shares for common shares in TerrAscend at a future date upon the occurrence of certain events. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(c) Vert Mirabel

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

(d) Eureka

Eureka 93 Inc. ("Eureka"), formerly LiveWell Canada Inc. ("LiveWell"), was a publicly-traded company licensed to cultivate cannabis under the Cannabis Act. On September 29, 2020, the common shares of Eureka were delisted from the CSE.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

(e) YSS

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

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

(f) Headset

As described in Note 8(n), as at September 30, 2020, the Company owned 1,572,588 preferred shares of Headset (March 31, 2020 – 1,572,588), representing an 8% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(g) ZeaKal

ZeaKal, Inc. ("ZeaKal") is a California-based plant science company that has developed a novel plant genetics technology called PhotoSeedTM. The PhotoSeedTM technology increases photosynthesis, improves plant yield, and enhances nutritional profiles.

As at September 30, 2020, the Company owned 248,446 preferred shares of ZeaKal (March 31, 2020 – 248,446), representing a 9% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(h) BioLumic

As described in Note 8(j), on August 13, 2020, the Company converted the principal amount of \$2,024 (U.S. \$1,500) that the Company had advanced to BioLumic pursuant to a convertible promissory note agreement into 381,590 preferred shares of BioLumic, representing an 11% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

(i) Dynaleo

As described in Note 8(m), on August 31, 2020, the Company converted the principal amount of \$2,000 that the Company had advanced to Dynaleo pursuant to a convertible debenture agreement into 1,499,823 common shares of Dynaleo, representing an 11% equity interest on a fully diluted basis. Please refer to Note 13 for additional details on valuation methodology and key inputs and assumptions.

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

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

Prior to the completion of the Qualifying Transaction described in Note 1, CRC PrivateCo had two classes of common shares: "Class A Shares" and "Class B Shares". Pursuant to the terms of the Qualifying Transaction, Class A shareholders received one Multiple Voting Share for each Class A Share held, and Class B shareholders received one Subordinated Voting Share for each Class B Share held upon completion of the Qualifying Transaction. Accordingly, the terms "Class A Shares" and "Multiple Voting Shares" may be used interchangeably, and the terms "Class B Shares" and "Subordinated Voting Shares" may be used interchangeably.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

(b) Issued and outstanding

As at September 30, 2020, there were 36,468,318 Multiple Voting Shares and 154,836,057 Subordinated Voting Shares issued and outstanding.

Initial financing

On May 12, 2017, CGC advanced \$20,000 in the form of a convertible debenture to CRC PrivateCo. Other investors advanced \$953 of seed capital to purchase 19,066,668 Class B Shares. Of this amount, \$503 representing 10,066,668 Class B Shares was paid for through share purchase loans, whereby funds were advanced to CRC PrivateCo by CGC on behalf of certain employees and a consultant of CGC. The Class B Shares acquired by each CGC employee and consultant through these share purchase loans were placed in trust and vested in three equal tranches over three years if: (i) each person, individually, remained an employee or consultant of CGC; and (ii) the individual loans were repaid. In certain cases, there were also additional performance targets. If the loan was not repaid, the shares would 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 were not considered issued for accounting purposes until the loans were repaid on an individual employee/consultant basis.

During the three and six months ended September 30, 2020, share purchase loans in the amount of \$63 and \$95, respectively, relating to the Subordinated Voting Shares held in trust by CGC on behalf of certain CGC employees were repaid (three and six months ended September 30, 2019 – \$29 and \$48, respectively). This resulted in the release from escrow of 1,266,668 and 1,905,559 Subordinated Voting Shares, respectively.

As at September 30, 2020, share purchase loans relating to 9,133,333 of the original seed capital options had been repaid, resulting in the release from escrow of a corresponding amount of Subordinated Voting Shares (March 31, 2020 – 7,261,108). In addition, 533,334 of the original seed capital options were forfeited and 333,333 of the original seed capital options expired, resulting in the cancellation by the Company of a corresponding amount of Subordinated Voting Shares (March 31, 2020 – nil). The proceeds from the initial sale of these cancelled Shares were returned to CGC.

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

Subsequent financings

There were no financings during the three and six months ended September 30, 2020.

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

(c) Stock options

On August 5, 2020, the Board approved the Company's long term incentive plan ("LTIP"), which replaced the Company's previous stock option plan and provides for the issuance of non-transferable options, restricted share units ("RSUs"), performance stock units ("PSUs"), stock appreciation rights, and restricted stock to directors, officers, employees and other eligible service providers of the Company. Pursuant to the LTIP, the maximum number of Subordinated Voting Shares issuable from treasury pursuant to outstanding options, RSUs, and PSUs shall not exceed 10% of the issued and outstanding Shares.

The LTIP is administered by the Board who establishes exercise prices for options, at not less than the market price at the date of the grant, and expiry dates. Options under the LTIP generally remain exercisable in

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant. The Board has the discretion to amend general vesting provisions and the term of any option grant, subject to limits contained in the LTIP. The seed capital options are not within the scope of the LTIP.

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

Seed Capital Options

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

During the three and six months ended September 30, 2020, 1,266,668 and 1,905,559 seed capital options were exercised, respectively (three and six months ended September 30, 2019 – 583,333 and 961,108, respectively). During the three and six months ended September 30, 2020, 500,000 seed capital options were forfeited (three and six months ended September 30, 2019 – nil) and 333,333 seed capital options expired (three and six months ended September 30, 2019 – nil).

During the three and six months ended September 30, 2020, the Company recognized \$1,308 and \$1,249 in share-based compensation recapture related to seed capital options, respectively (three and six months ended September 30, 2019 – \$494 and \$1,355 expense, respectively).

Consultant Options

As at March 31, 2020, the Company had 7,302,004 options to purchase Subordinated Voting Shares granted to employees of CGC and other consultants of the Company outstanding. During the three and six months ended September 30, 2020, the Company did not grant any options to purchase Subordinated Voting Shares to consultants of the Company (three and six months ended September 30, 2019 – 45,000). Options granted to CGC employees and consultants are considered “consultant options” from the Company’s perspective. The options have exercise prices ranging from \$0.60 to \$3.50 per Subordinated Voting Share and are exercisable in increments, with generally one third being exercisable on each of the first, second, and third anniversaries from the date of grant. The options were measured at fair value at the date of issuance using a Black-Scholes option pricing model and are remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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

Consultant Options	Initial Recognition	March 31, 2020	September 30, 2020
Share price	\$0.60 – \$3.50	\$1.08	\$0.92
Exercise price	\$0.60 – \$3.50	\$0.60 – \$3.50	\$0.60 – \$3.50
Risk-free interest rate	1.5%	0.5%	0.2%
Weighted average expected life (years)	3.0 – 4.0	0 – 3.6	1.2 – 3.1
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, 2020, 266,667 and 366,667 consultant options were exercised at a weighted average exercise price of \$0.60 for gross proceeds of \$160 and \$220, respectively (three and six months ended September 30, 2019 – 66,667 and 178,332 consultant options exercised at a weighted average exercise price of \$0.60 for gross proceeds of \$40 and \$107, respectively). During the three

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

and six months ended September 30, 2020, 78,334 and 161,668 consultant options with a weighted average exercise price of \$0.60 were forfeited, respectively (three and six months ended September 30, 2019 – nil) and nil and 30,000 consultant options with a weighted average exercise price of \$3.50 expired, respectively (three and six months ended September 30, 2019 – nil).

During the three and six months ended September 30, 2020, the Company recognized \$111 and \$202 in share-based compensation recapture related to consultant options, respectively (three and six months ended September 30, 2019 – \$1,111 and \$3,114 expense, respectively).

Employee and Director Options

As at March 31, 2020, the Company had 5,764,000 options to purchase Subordinated Voting Shares granted to employees and directors of the Company outstanding. During the three and six months ended September 30, 2020, the Company did not grant any options to purchase Subordinated Voting Shares to employees or directors of the Company (three and six months ended September 30, 2019 – 80,000 and 1,658,000, respectively). The options outstanding have exercise prices ranging from \$1.10 to \$4.50 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. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

The following assumptions were used in determining the fair value of the employee and director options at their dates of grant (the options are not subsequently remeasured):

Employee and Director Options	Initial Recognition
Share price	\$1.10 – \$4.50
Exercise price	\$1.10 – \$4.50
Risk-free interest rate	1.4 – 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, 2020, no employee and director options were exercised (three and six months ended September 30, 2019 – nil). During the three and six months ended September 30, 2020, nil and 135,000 employee and director options with a weighted average exercise price of \$nil and \$3.28 were forfeited, respectively (three and six months ended September 30, 2019 – nil) and 351,000 employee and director options with a weighted average exercise price of \$3.65 expired (three and six months ended September 30, 2019 – nil).

During the three and six months ended September 30, 2020, the Company recognized \$465 and \$1,289 in share-based compensation expense related to employee and director options, respectively (three and six months ended September 30, 2019 – \$1,363 and \$2,185, respectively).

Former AIM2 Options

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

As at September 30, 2020, no former AIM2 options remained outstanding (March 31, 2020 – nil).

Stock Options Summary

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

	Options Outstanding				Options Exercisable		
	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share ⁽¹⁾	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Fair Value per Share ⁽¹⁾
	\$	#	# (years)	\$	\$	#	\$
September 30, 2020							
Seed capital	0.05	66,668	0.0	0.87	0.05	66,668	0.87
Consultant	1.90	6,743,669	2.5	0.22	1.92	4,422,004	0.20
Employee and director	2.88	5,278,000	3.1	1.45	\$2.62	2,594,333	\$1.26
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

	# of Options	Weighted Avg. Exercise Price
Balance – March 31, 2020	15,871,564	\$ 1.91
Granted	-	-
Exercised	2,272,226	0.14
Forfeited	796,668	0.71
Expired	714,333	1.97
Balance – September 30, 2020	12,088,337	\$ 2.32

(d) Warrants
PharmHouse Warrants

In connection with the formation of PharmHouse described in Note 4, the Company issued 14,400,000 warrants to the PharmHouse Majority Shareholder. The warrants are exercisable for a period of one year following the date that PharmHouse receives a licence to sell cannabis under the Cannabis Act. Upon issuance, the exercise price of the warrants was set to be at the lower of \$2.00 per share and the price per subscription receipt issued by CRC PrivateCo in connection with the CRC PrivateCo's financing to be completed concurrently with its initial public listing.

Upon initial recognition of the warrants, the warrants were recorded as a derivative liability as the exercise price of the warrants was contingent upon future events, and the fair value was estimated using a Black-Scholes option pricing model, which formed part of the Company's cost base of its investment in PharmHouse common shares described in Note 4(f). 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, 2020, no PharmHouse warrants were exercised (three and six months ended September 30, 2019 – nil).

Former AIM2 Warrants

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

As at September 30, 2020, no former AIM2 warrants remained outstanding (March 31, 2020 – nil).

Warrants Summary

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

	Warrants Outstanding			Warrants Exercisable			
	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Fair Value per Share ⁽¹⁾	Weighted Average Exercise Price	Number of Warrants Exercisable	Weighted Average Fair Value per Share ⁽¹⁾
	\$	#	# (years)	\$	\$	#	\$
September 30, 2020							
PharmHouse	2.00	14,400,000	0.4	1.98	2.00	14,400,000	1.98
Former AIM2	n/a	–	–	n/a	n/a	–	n/a

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

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

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

	# of Warrants	Weighted Avg. Exercise Price
Balance – March 31, 2020	14,400,000	\$ 2.00
Granted	–	–
Exercised	–	–
Forfeited	–	–
Expired	–	–
Balance – September 30, 2020	14,400,000	\$ 2.00

(e) Restricted Share Units

On March 18, 2020, the Company effected an RSU plan (the “RSU Plan”) for non-employee directors whereby the Company may grant RSUs for the purposes of promoting greater alignment of long-term interests between non-employee directors and the Company’s shareholders, and to provide a compensation system that, together with the other director compensation mechanisms, is reflective of the responsibility, commitment, and risk

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

accompanying membership on the Board and the performance of the duties required of the various committees of the Board. Pursuant to the RSU Plan, holders of the RSUs will be entitled to receive Subordinated Voting Shares at specified future dates and the maximum number of Subordinated Voting Shares issuable from treasury pursuant to outstanding RSUs shall not exceed 1% of the issued and outstanding Shares. RSUs issued under the RSU Plan generally become redeemable in increments, with one-third being redeemable for Subordinated Voting Shares on each of the first, second, and third anniversaries from the date of grant. RSUs may also be granted on a discretionary basis.

During the three and six months ended September 30, 2020, the Company granted 28,884 discretionary RSUs to a non-employee director that vested immediately (three and six months ended September 30, 2019 – nil). The number of RSUs granted to the non-employee director was based upon the estimated fair value of services provided to the Company of \$22 and a volume-weighted average price determined at the date of grant of \$0.75 per share.

During the three and six months ended September 30, 2020, the Company recognized \$(5) and \$112 in share-based compensation expense (recapture) related to the RSU Plan, respectively (three and six months ended September 30, 2019 – \$nil).

RSUs Summary

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

	# of RSUs	Weighted Avg. Grant Price
Balance – March 31, 2020	356,308	\$ 0.81
Granted	28,884	0.75
Redeemed	-	-
Balance – September 30, 2020	385,192	\$ 0.81

(f) Performance Stock Units

On August 5, 2020, 1,210,000 PSUs with a weighted average grant date fair value per share of \$1.09 were granted to employees of the Company pursuant to the LTIP. The PSUs vest in three equal instalments on each of April 1, 2021, April 1, 2022, and April 1, 2023, generally subject to continued service, and, once vested, are redeemable, at the option of the holder, at any point between the vesting date and the fifth anniversary of the grant date, subject to earlier settlement in the event of termination of service. The number of PSUs that will be eligible to vest on each vesting date may be adjusted upwards based on the increase, if any, in the Subordinated Voting Share price between the grant date and the vesting date (the "Performance Factor").

During the three and six months ended September 30, 2020, the Company recognized \$404 in share-based compensation expense related to the PSUs (three and six months ended September 30, 2019 – \$nil).

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

	# of PSUs	Weighted Avg. Grant Price
Balance – March 31, 2020	-	\$ -
Granted	1,210,000	1.09
Additional PSUs eligible to vest based on Performance Factor	-	-
Redeemed	-	-
Balance – September 30, 2020	1,210,000	\$ 1.09

(g) Normal Course Issuer Bid

On April 2, 2020, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 10,409,961 Subordinated Voting Shares, representing 10% of the Company's issued and outstanding Subordinated Voting

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Shares, in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The NCIB will expire on April 1, 2021.

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

During the three and six months ended September 30, 2020, the Company repurchased and cancelled 164,200 and 273,300 Subordinated Voting Shares pursuant to the NCIB program for \$181 and \$307, at a weighted average acquisition price of \$1.09 and \$1.11 per share, respectively (three and six months ended September 30, 2019 – not applicable).

11. RELATED PARTY TRANSACTIONS

(a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board, who control approximately 3.3% of the Shares of the Company on a fully diluted basis as at September 30, 2020. Compensation provided to key management personnel is as follows:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
Share-based compensation	\$ 276	\$ 1,181	\$ 900	\$ 1,953
Salaries	322	439	620	874
Director fees ⁽¹⁾	90	25	131	50

⁽¹⁾ Note: Each director receives an annual retainer that is allocated at such individual's discretion between cash and share-based compensation, subject to certain restrictions. Director fees indicated above represent the cash portion of total director compensation.

(b) Transactions with CGC

As at September 30, 2020, the Company has a nominal liability to CGC included in accounts payable and accrued liabilities arising from the share purchase loans provided by CGC relating to the seed capital options discussed in Note 10(c) (March 31, 2020 – \$140). In the event the loans are repaid by the employees/consultant, the related Subordinated Voting Shares will be issued, and the liability will be settled.

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

(c) Transactions with other related parties

Transactions and balances with the Company's associates and joint venture are described and discussed in Notes 4, 6, and 7. Transactions and balances with associated entities of CGC are described and discussed in Notes 6, 7, and 9.

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

12. INCOME TAXES

For the three and six months ended September 30, 2020, the Company recognized income tax recovery of \$4,464 (three and six months ended September 30, 2019 – income tax recovery of \$133 and income tax expense of \$299, respectively). Income tax recovery of \$4,464 for the six months ended September 30, 2020 is comprised of current income tax recovery of \$501 and deferred income tax recovery of \$3,963 (six months ended September 30, 2019 – income tax expense of \$299 comprised of current income tax recovery of \$1,030 and deferred income tax expense of \$1,329).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

13. FINANCIAL INSTRUMENTS**(a) Credit risk**

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

Expected credit losses ("ECLs") on financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to mitigating effects of collateral and security, reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgment. The measurement of ECLs is primarily based on the product of the financial instrument's probability of default, loss given default, and exposure at default.

For the three and six months ended September 30, 2020, the Company recognized an increase to the provision for expected credit losses on its interest and royalty receivables of \$9,861 and \$9,866, respectively (three and six months ended September 30, 2019 – \$nil). The change in the Company's loss provision for the three and six months ended September 30, 2020, is primarily attributable to the increases in the provisions for expected credit losses of \$8,939 relating to the Company's interest receivable balance with PharmHouse described in Note 4(d), representing the entire outstanding gross interest receivable balance and recognized in connection with the PharmHouse Recoverability Assessment described in Note 4(b), and \$773 and \$783, respectively, relating to the Company's royalty receivable balance with Agripharm described in Note 8(a), representing 50% of the outstanding gross royalty receivable balance and recognized in connection with the enhanced risk that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement based on underlying business conditions.

For the three and six months ended September 30, 2020, the Company recognized an increase to the provision for expected credit losses on its loans receivable of \$45,756 (three and six months ended September 30, 2019 – \$nil). As a result of the PharmHouse Recoverability Assessment described in Note 4(b), the Company concluded that the amounts advanced pursuant to the shareholder loan, secured and unsecured demand promissory notes, and DIP Financing may not be recoverable and recognized a provision for expected credit losses for the full outstanding amounts.

Aside from these items, there have been no material changes in the estimation techniques made during the current reporting period in assessing the loss allowance for the Company's interest and royalty receivable, other receivables, finance lease receivable, or loan receivable.

As described in Note 4(c), the Company is a guarantor for the syndicated PharmHouse Credit Facility in the event of non-compliance with covenants or default. In connection with the PharmHouse Recoverability Assessment described in Note 4(b), the Company estimated the provision for expected credit losses on its financial guarantee liability related to the PharmHouse Guarantee, which previously had an estimated carrying value of \$nil, and estimated its carrying value to be \$25,000 as at September 30, 2020. A further deterioration in PharmHouse's credit worthiness, an inability to generate sufficient future cash flows, or a significant decrease in the value of the PharmHouse Credit Facility security below that estimated in the PharmHouse Recoverability Assessment will expose the Company to the risk of additional credit losses due to its guarantee.

(b) Fair values

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

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

The following table provides information about how the fair values as at September 30, 2020, of the Company's other financial instruments are determined:

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Financial assets – fair value through profit or loss				
Agripharm Royalty Interest	\$6,700	\$12,600	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Projected royalty cash flows that Agripharm would be expected to be able to service based on current business conditions Discount rate (30% at Sept. 30, 2020; 35% at March 31, 2020)
Radicle Royalty Interest	\$4,200	\$4,000	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Per gram royalty Minimum annual payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Cannabis production Discount rate (25% at Sept. 30, 2020; 25% at March 31, 2020)
Radicle Convertible Debenture	\$840	\$880	(Level 3): FinCAD model (with a Black-Scholes option pricing model)	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Principal advanced Conversion price (\$0.60 at Sept. 30, 2020; \$0.60 at March 31, 2020) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price (\$0.60 at Sept. 30, 2020; \$0.60 at March 31, 2020) Implied credit spread (20% at Sept. 30, 2020; 26% at March 31, 2020) Expected annualized volatility (101% at Sept. 30, 2020; 94% at March 31, 2020)
Radicle Warrants	\$40	\$50	(Level 3): Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Exercise price (\$0.75 at Sept. 30, 2020; \$0.75 at March 31, 2020) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price (\$0.60 at Sept. 30, 2020; \$0.60 at March 31, 2020) Expected life (2.5 years at Sept. 30, 2020; 3.0 years at March 31, 2020) Expected annualized volatility (101% at Sept. 30, 2020; 94% at March 31, 2020)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Vert Mirabel Preferred Shares	\$21,650	\$20,000	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Dividend yield (18% (decreasing to 10%) at Sept. 30, 2020; 18% (decreasing to 10%) at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Timing of greenhouse purchase Timing of redemption Discount rate (14% at Sept. 30, 2020; 14% at March 31, 2020)
Civilized Convertible Debenture	\$500	\$2,100	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from sale of the asset	<p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Expected sale price Probability of transaction
Canapar Call Option	\$1,100	\$1,100	(Level 3): Simulation model using Geometric Brownian Motion	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Canadian dollar / Euro foreign exchange (“FX”) rate <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Company equity value per share (\$0.28 at Sept. 30, 2020; \$0.28 at March 31, 2020) Expected life (5 years at Sept. 30, 2020; 5 years at March 31, 2020) Expected volatility of company equity value (70% at Sept. 30, 2020; 70% at March 31, 2020) Projected EBITDA Expected annualized volatility of EBITDA (30% at Sept. 30, 2020; 30% at March 31, 2020) Expected annualized volatility of FX rate (9% at Sept. 30, 2020; 9% at March 31, 2020)
Greenhouse Juice Secured Convertible Debenture	\$5,100	\$7,500	(Level 3): FinCAD model (with a Black-Scholes option pricing model)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Principal advanced Conversion price (\$1.51 at Sept. 30, 2020; \$1.51 at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Share price (\$0.67 at Sept. 30, 2020; \$1.51 at March 31, 2020) Implied credit spread (26% at Sept. 30, 2020; 33% at March 31, 2020) Expected annualized volatility (50% at Sept. 30, 2020; 45% at March 31, 2020)
Greenhouse Juice Unsecured Convertible Debenture	\$1,300	\$3,000	(Level 3): Income approach – discounted cash flow: based upon estimated fair value of shares to be received on maturity date	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Principal advanced Conversion price (\$1.51 at Sept. 30, 2020; variable unobservable input at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Share price (\$0.67 at Sept. 30, 2020; \$1.51 at March 31, 2020) Implied credit spread (n/a at Sept. 30, 2020; 7% at March 31, 2020) Expected annualized volatility (50% at Sept. 30, 2020; 45% at March 31, 2020)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Greenhouse Juice Warrants	\$10	\$390	(Level 3): Monte Carlo simulation model (using Geometric Brownian Motion) and Black-Scholes option pricing model	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Exercise price (\$2.16 (preferred share warrant) and \$6.49 (control warrant) at Sept. 30, 2020; \$2.16 (preferred share warrant) and \$6.49 (control warrant) at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Share price (\$0.67 at Sept. 30, 2020; \$1.51 at March 31, 2020) Expected life (1.5 years at Sept. 30, 2020; 2.0 years at March 31, 2020) Expected annualized volatility (50% at Sept. 30, 2020; 45% at March 31, 2020)
High Beauty Warrants	\$60	\$90	(Level 3): Black-Scholes option pricing model	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Exercise price (original warrants) (\$0.01 at Sept. 30, 2020; \$0.01 at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Exercise price (additional warrants) Share price (US\$0.10 at Sept. 30, 2020; \$0.14 at March 31, 2020) Expected life (1.75 years at Sept. 30, 2020; 2.0 years at March 31, 2020) Expected annualized volatility (70% at Sept. 30, 2020; 63% at March 31, 2020)
High Beauty Convertible Promissory Note	\$980	\$850	(Level 3): FinCAD model (with a Monte Carlo simulation model using Geometric Brownian Motion)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Principal advanced <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Conversion price Share price (US\$0.11 at Sept. 30, 2020; US\$0.85 at March 31, 2020) Implied credit spread (20% at Sept. 30, 2020; 31% at March 31, 2020) Expected annualized volatility (70% at Sept. 30, 2020; 63% at March 31, 2020) Timing and probability of qualified financing
BioLumic Convertible Promissory Note	N/A	\$2,400	(Level 3): Income approach – discounted cash flow (with a Monte Carlo simulation model using Geometric Brownian Motion)	<ul style="list-style-type: none"> The convertible promissory note was converted during the three months ended September 30, 2020 into preferred shares of BioLumic
BioLumic Second Convertible Promissory Note	\$670	N/A	(Level 3): Market approach – most recent financing: based upon principal amount advanced pursuant to the note, adjusted for FX gains/losses and interest accrued during the quarter	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Principal amount advanced Interest rate (6% at Sept. 30, 2020; not applicable at March 31, 2020) FX rate

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Tweed Tree Lot Royalty Interest	\$19,400	\$15,100	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Per gram royalty Minimum annual payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Cannabis production Discount rate (15% at Sept. 30, 2020; 20% at March 31, 2020)
TerrAscend Canada Term Loan	\$13,500	\$10,000	(Level 3): Income approach – discounted cash flow for the loan; Monte Carlo simulation model (using Geometric Brownian Motion) and Black-Scholes option pricing model for the attached warrants	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Principal advanced Exercise price (\$5.95 at Sept. 30, 2020; \$5.95 at March 31, 2020) Share price (\$5.77 at Sept. 30, 2020; \$2.49 at March 31, 2020) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Implied credit spread (9% at Sept. 30, 2020; 15% at March 31, 2020) Expected annualized volatility (91% at Sept. 30, 2020; 89% at March 31, 2020) Expected timing of TerrAscend Triggering Event
TerrAscend Warrants II	\$280	\$110	(Level 3): Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Exercise price (\$6.49 at Sept. 30, 2020; \$6.49 at March 31, 2020) Share price (\$5.77 at Sept. 30, 2020; \$2.49 at March 31, 2020) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Implied credit spread (9% at Sept. 30, 2020; 15% at March 31, 2020) Expected annualized volatility (91% at Sept. 30, 2020; 89% at March 31, 2020) Expected timing of TerrAscend Triggering Event
Dynaleo Convertible Debenture	N/A	N/A	Not applicable	<ul style="list-style-type: none"> The convertible debenture was converted during the three months ended September 30, 2020 into common shares of Dynaleo
Dynaleo Warrants	\$860	N/A	(Level 3): Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Exercise price (\$1.42 at Sept. 30, 2020; not applicable at March 31, 2020) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price (\$2.00 at Sept. 30, 2020; not applicable at March 31, 2020) Expected life (1.26 years at Sept. 30, 2020; not applicable at March 31, 2020) Expected annualized volatility (70% at Sept. 30, 2020; not applicable at March 31, 2020)
Headset Convertible Promissory Note	\$1,100	N/A	(Level 3): Market approach – most recent financing: based upon principal amount advanced pursuant to the note, adjusted for FX gains/losses and interest accrued during the quarter	<i>Key observable inputs:</i> <ul style="list-style-type: none"> Principal amount advanced Interest rate (8% at Sept. 30, 2020; not applicable at March 31, 2020) FX rate

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Total	\$78,290	\$80,170		
Financial assets – fair value through other comprehensive income				
JWC Common Shares	\$nil	\$976	Not applicable	<ul style="list-style-type: none"> As a result of JWC's CCAA proceedings, the fair value of the Company's investment in JWC common shares was reduced to \$nil
TerrAscend Exchangeable Shares	\$57,000	\$23,500	(Level 3): Market approach – based on trading price of TerrAscend common shares on CSE as at the valuation date, adjusted for a discount for lack of marketability calculated using an Asian Put Option model across a series of exchange dates	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Exercise price (\$5.77 at Sept. 30, 2020; \$2.49 at March 31, 2020) Share price (\$5.77 at Sept. 30, 2020; \$2.49 at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Expected annualized volatility Expected timing of TerrAscend Triggering Event
Vert Mirabel Common Shares	\$26,000	\$19,900	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> Cannabis production Selling price per gram (long-term) Production cost per gram Discount rate (17% at Sept. 30, 2020; 17% at March 31, 2020) Discount for lack of marketability (20% at Sept. 30, 2020; 20% at March 31, 2020)
YSS Common Shares	\$1,305	\$1,523	(Level 1): Quoted share price	<ul style="list-style-type: none"> Not applicable
Headset Preferred Shares	\$4,200	\$4,500	(Level 3): Market approach – most recent financing: based upon per share valuation in Headset's December 2018 equity financing, adjusted for FX gains/losses	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Financing price FX rate
ZeaKal Preferred Shares	\$13,300	\$14,200	(Level 3): Market approach – most recent financing: based upon per share valuation in ZeaKal's August 2019 equity financing, adjusted for FX gains/losses	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Financing price FX rate
BioLumic Preferred Shares	\$2,200	N/A	(Level 3): Market approach – most recent financing: based upon per share valuation implied by BioLumic's August 2020 convertible note financing, adjusted for FX gains/losses	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Financing price FX rate
Dynaleo Common Shares	\$2,900	N/A	(Level 3): Market approach – most recent financing: based upon per share valuation in Dynaleo's September 2020 equity financing	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> Financing price

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Total	\$106,905	\$64,599		
Financial assets – amortized cost				
PharmHouse Loan Receivable	Fair value: \$nil Carrying value: \$nil	Fair value: \$39,900 Carrying value: \$40,000	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return, and adjusted for the PharmHouse Recoverability Assessment described in Note 4(b)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> • Principal advanced • Interest rate (12% at Sept. 30, 2020; 12% at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> • Discount rate (12% at Sept. 30, 2020; 12% at March 31, 2020) <p><i>Key observable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Size of PharmHouse greenhouse facility • Book value of PharmHouse greenhouse facility retrofits • Book value of PharmHouse machinery and equipment • Quantum of existing inventory • Cash on hand <p><i>Key unobservable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Selling price per sq. ft. for PharmHouse greenhouse facility • Recoverability % on the liquidation of PharmHouse greenhouse facility retrofits • Recoverability % on the liquidation of PharmHouse machinery and equipment • Selling price per gram of existing cannabis inventory
PharmHouse Secured Demand Promissory Note	Fair value: \$nil Carrying value: \$nil	Fair value: \$2,450 Carrying value: \$2,450	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return, and adjusted for the PharmHouse Recoverability Assessment described in Note 4(b)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> • Demand feature results in the fair value and carrying value equaling the principal amount advanced by the Company <p><i>Key observable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Size of PharmHouse greenhouse facility • Book value of PharmHouse greenhouse facility retrofits • Book value of PharmHouse machinery and equipment • Quantum of existing inventory • Cash on hand <p><i>Key unobservable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Selling price per sq. ft. for PharmHouse greenhouse facility • Recoverability % on the liquidation of PharmHouse greenhouse facility retrofits • Recoverability % on the liquidation of PharmHouse machinery and equipment • Selling price per gram of existing cannabis inventory

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
PharmHouse Unsecured Demand Promissory Note	Fair value: \$nil Carrying value: \$nil	Fair value: N/A Carrying value: N/A	(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, and adjusted for the PharmHouse Recoverability Assessment described in Note 4(b)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> • Demand feature results in the fair value and carrying value equaling the principal amount advanced by the Company • Interest rate (12% at Sept. 30, 2020; not applicable at March 31, 2020) <p><i>Key observable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Size of PharmHouse greenhouse facility • Book value of PharmHouse greenhouse facility retrofits • Book value of PharmHouse machinery and equipment • Quantum of existing inventory • Cash on hand <p><i>Key unobservable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Selling price per sq. ft. for PharmHouse greenhouse facility • Recoverability % on the liquidation of PharmHouse greenhouse facility retrofits • Recoverability % on the liquidation of PharmHouse machinery and equipment • Selling price per gram of existing cannabis inventory
PharmHouse DIP Financing	Fair value: \$nil Carrying value: \$nil	Fair value: N/A Carrying value: N/A	(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, and adjusted for the PharmHouse Recoverability Assessment described in Note 4(b)	<p><i>Key observable inputs:</i></p> <ul style="list-style-type: none"> • Principal advanced • Interest rate (8% at Sept. 30, 2020; not applicable at March 31, 2020) <p><i>Key unobservable inputs:</i></p> <ul style="list-style-type: none"> • Discount rate (8% at Sept. 30, 2020; not applicable at March 31, 2020) <p><i>Key observable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Size of PharmHouse greenhouse facility • Book value of PharmHouse greenhouse facility retrofits • Book value of PharmHouse machinery and equipment • Quantum of existing inventory • Cash on hand <p><i>Key unobservable inputs in the PharmHouse Recoverability Assessment:</i></p> <ul style="list-style-type: none"> • Selling price per sq. ft. for PharmHouse greenhouse facility • Recoverability % on the liquidation of PharmHouse greenhouse facility retrofits • Recoverability % on the liquidation of PharmHouse machinery and equipment • Selling price per gram of existing cannabis inventory

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

	Fair value as at Sept. 30, 2020	Fair value as at March 31, 2020	Fair value hierarchy and technique	Key inputs
Total	Fair value: \$nil Carrying value: \$nil	Fair value: \$42,350 Carrying value: \$42,450		

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

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

Financial assets

- Level 1: \$1,305 (March 31, 2020 – \$1,523)
- Level 2: \$nil (March 31, 2020 – \$976)
- Level 3: \$183,890 (March 31, 2020 – \$193,720)

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

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

- Income approach (Level 3) – Discounted cash flows are used to capture the present value of the expected future economic benefits to be derived from certain investments in the Company's portfolio. Significant unobservable inputs and the relationship to fair value can include the following:
 - Cannabis production, considering management's experience and knowledge of the investees' growing facilities. An increase in this input would result in an increase in fair value.
 - Selling price per gram, considering management's experience and knowledge of market conditions of the cannabis industry. An increase in this input would result in an increase in fair value.
 - Production cost per gram, considering management's experience and knowledge of market conditions of the cannabis industry, and the types of facilities in which the investees operate. An increase in this input would result in a decrease in fair value.
 - Discount rate determined based upon expected rates of return for similar-stage ventures commensurate with the risk inherent in achieving the expected cash flows. An increase in this input would result in a decrease in fair value.
 - Discount for lack of marketability, determined by reference to precedent transactions where control is acquired, and in consideration of the various relative rights held by the Company with respect to its individual investments. An increase in this input would result in a decrease in fair value.
- Black-Scholes option pricing model and Asian Put Option model (Level 3) – Significant unobservable inputs and the relationship to fair value can include the following:
 - Share price: An increase in this input would result in an increase in fair value.
 - Expected life (years): An increase in this input would result in an increase in fair value.
 - Dividend yield: An increase in this input would result in a decrease in fair value.
 - Expected annualized volatility: An increase in this input would result in an increase in fair value.
 - Expected timing of the TerrAscend Triggering Event: A longer probability curve would result in a decrease in fair value (specific to the financial instruments invested in TerrAscend).
- Simulation model using Geometric Brownian Motion (Level 3) – Simulation of correlated paths between the following inputs:
 - Company equity value: An increase in this input would result in an increase in fair value.
 - Expected life (years): An increase in this input would result in an increase in fair value.
 - Volatility of company equity value: An increase in this input would result in an increase in fair value.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

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

Investee	Instrument	Input	Assumption	Change	Impact
Agripharm	Royalty interest	Discount rate	30.0%	+ 2.5% (abs)	\$(700)
Radicle	Royalty interest	Discount rate	25.0%	+ 2.5% (abs)	\$(300)
Tweed Tree Lot	Royalty interest	Discount rate	15.0%	+ 2.5% (abs)	\$(1,900)
TerrAscend	Exchangeable Shares	Timing of TerrAscend Triggering Event	Probability curve	+ 1 year	\$(788)
		Volatility	Various	+ 5.0% (abs)	\$(3,231)
TerrAscend Canada	Term Loan	Credit spread	Various	+ 2.5% (abs)	\$(1,033)
Vert Mirabel	Common shares	Production (kg)	Various	- 5.0%	\$(3,629)
		Long-term price	Various	- 5.0%	\$(979)
		Discount rate	16.8%	+ 2.5% (abs)	\$(2,129)
	Preferred shares	Discount rate	14.3%	+ 2.5% (abs)	\$(72)
Greenhouse Juice	Secured convertible debenture	Volatility	50.0%	- 5.0% (abs)	\$(61)
		Credit spread	26.0%	+ 5.0% (abs)	\$(292)
High Beauty	Convertible promissory note	Credit spread	30.7%	+ 5.0% (abs)	\$(49)

14. COMMITMENTS AND CONTINGENCIES
(a) Commitments

Under the terms of the DIP Financing described in Note 4(d), the Company has agreed to provide PharmHouse additional financing of up to \$5,114. Please refer to Note 16 for additional details.

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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

	As at Sept. 30, 2020
No later than one year	\$ 346
Between one year and five years	723
Later than five years	-
	\$ 1,069

(b) Contingencies

As described in Note 5, in connection with the Company's strategic alliance with Kindred, the Company has a possible obligation to fund the Brokerage Payments, being the difference between the minimum annual aggregate brokerage fees and actual annual aggregate brokerage fees received by Kindred. The minimum annual aggregate brokerage fees are \$3,000 for the 12 months ending December 31, 2020. The Company notes that a contingent liability exists at each reporting period with respect to the possible Brokerage Payments. Accordingly, as at September 30, 2020, the Company had a contingent liability of \$848 (March 31, 2020 - \$2,784).

15. EARNINGS PER SHARE

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

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

	Three months ended Sept. 30, 2020			Six months ended Sept. 30, 2020		
	Net loss	Weighted avg. number of shares	EPS	Net loss	Weighted avg. number of shares	EPS
Basic	\$ (110,381)	191,155,094	\$(0.58)	\$ (113,807)	190,332,595	\$(0.60)
Dilutive securities		-			-	
Diluted	\$ (110,381)	191,155,094	\$(0.58)	\$ (113,807)	190,332,595	\$(0.60)

	Three months ended Sept. 30, 2019			Six months ended Sept. 30, 2019		
	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)

16. SUBSEQUENT EVENTS

Between October 2, 2020, and November 4, 2020, the Company advanced an additional \$3,050 pursuant to the DIP Financing.

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process ("SISP"). The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of PharmHouse's assets or business. This may include a restructuring, recapitalization, or other form of reorganization of PharmHouse's business and affairs. The deadline for offers under the SISP will be on or about November 30, 2020.