CITATION GROWTH CORP.

(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three and nine months ended December 31, 2019 and 2018

(Expressed in thousands of Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Citation Growth Corp. (Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.) (the "Company") for the three and nine months ended December 31, 2019 (the "Interim Financial Statements") have been prepared by the management of the Company and approved by the Company's Audit Committee and the Board of Directors.

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The management of the Company is responsible for the preparation of the Interim Financial Statements. The Company's independent auditor has not performed a review of the Interim Financial Statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CITATION GROWTH CORP.

(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

Consolidated Statements of Financial Position

In thousands of Canadian dollars except for share data
(Unaudited)

	Notes	**December 31, 2019**	March 31, 2019
		$	$
Assets			
Current assets			
Cash		**362**	107
Accounts receivable	21(d)	**1,968**	258
Share subscriptions receivable	14(b)(i)	**-**	198
Due from a related party	17(a)(i)	**67**	-
Biological assets	5	**694**	204
Inventory	6	**1,774**	464
Prepaid expenses and deposits		**888**	751
Derivative asset	11	**-**	1
Assets held for sale	10	**8,166**	9,786
		13,919	11,769
Property, plant and equipment	7	**21,237**	16,941
Intangible assets	9	**21,083**	20,036
Goodwill	8(a)	**16,272**	-
		72,511	48,746
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**5,500**	1,854
Income tax payable		**106**	-
Loans and borrowings	12	**11,268**	2,929
Convertible debentures	13	**3,424**	3,503
Current portion of lease liabilities	4	**481**	-
Derivative liabilities	13	**299**	1,126
Liabilities associated with assets held for sale	10	**2,978**	2,744
		24,056	12,156
Lease liabilities	4	**1,000**	-
Convertible debentures	13	**350**	-
		25,406	12,156
Shareholders' equity			
Share Capital	14	**106,067**	86,645
Reserves		**11,577**	8,992
Accumulated other comprehensive loss		**271**	833
Deficit		**(70,810)**	(59,880)
		47,105	36,590
		72,511	48,746

The accompanying notes are an integral part of the consolidated financial statements.

Nature of operations and ability to continue as a going concern (Note 1)
Commitments and contingencies (Note 18)
Segmented information (Note 19)
Subsequent events (Note 23)

Approved on behalf of the Board:

"Erik Anderson"
Erik Anderson, Director

"Marcel LeBlanc"
Marcel LeBlanc, Director

CITATION GROWTH CORP.

(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

Consolidated Statements of Comprehensive Loss

In thousands of Canadian dollars except for share data
(Unaudited)

		Three Months Ended		Nine Months Ended	
	Notes	**2019**	2018	**2019**	2018
		$	$	**$**	$
Revenues		**1,275**	331	**2,946**	1,047
Excise taxes		**(227)**	-	**(548)**	-
Net revenue		**1,048**	331	**2,398**	1,047
Cost of sales		**1,459**	307	**2,801**	745
Gross profit (loss) before fair value adjustments		**(411)**	24	**(403)**	302
Change in fair value of inventory sold		**799**	-	**1,164**	-
Unrealized gain on changes in fair value of biological assets	5	**(831)**	(181)	**(1,534)**	(181)
Goss profit (loss)		**(379)**	205	**(33)**	483
Expenses					
General and administrative expenses	15, 17(b)	**1,973**	2,806	**4,509**	8,323
Depreciation and amortization	7, 9	**203**	46	**480**	149
Share-based compensation	14(e), 14(f)	**1,247**	2,006	**5,461**	3,685
		3,423	4,858	**10,450**	12,157
Loss from operations		**(3,802)**	(4,653)	**(10,483)**	(11,674)
Other income (expenses)					
Interest and other income		**1**	5	**1**	14
Finance and other costs	16	**(596)**	(179)	**(2,039)**	(382)
Foreign exchange gain (loss)		**25**	(155)	**40**	(118)
Loss on sale of marketable securities		**-**	(194)	**-**	(211)
Loss on sale of shares of associate	11	**-**	(439)	**-**	(373)
Share of loss in investment in associate	11	**-**	-	**-**	(259)
Gain on deemed disposal of investment in associate		**-**	-	**-**	1,184
Realized and unrealized losses on derivative asset	11	**-**	299	**(1)**	(2,023)
Unrealized gain on derivative liabilities	13	**500**	-	**1,579**	32
Loss on sale of property, plant and equipment	7	**(537)**	-	**(537)**	-
Gain on settlement of debt	14(b)(iv)	**-**	11	**26**	5
		(607)	(652)	**(931)**	(2,131)
Loss before income taxes		**(4,409)**	(5,305)	**(11,414)**	(13,805)
Income tax expense		**-**	-	**(106)**	-
Net loss		**(4,409)**	(5,305)	**(11,520)**	(13,805)
Other comprehensive income (loss)					
Foreign currency translation		**(324)**	482	**(562)**	503
Comprehensive loss		**(4,733)**	(4,823)	**(12,082)**	(13,302)
Net loss per share					
Basic and diluted		(0.04)	(0.14)	(0.13)	(0.33)
Weighted average number of shares outstanding					
Basic and diluted		107,517,276	35,166,687	**86,162,774**	40,942,695

The accompanying notes are an integral part of the consolidated financial statements

CITATION GROWTH CORP.
(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

Consolidated Statements of Changes in Equity
In thousands of Canadian dollars except for share data
(Unaudited)

		Share Capital		Reserves			Accumulated other comprehensive loss	Deficit	Total Equity
	Note	Common Shares	Amount	Stock Options	Share Purchase Warrants	Total Reserves			
		#	$	$	$	$	$	$	$
Balance, March 31, 2018		27,921,455	48,446	2,207	4,737	6,944	138	(33,945)	21,583
Shares issued for cash	14(b)(i)	4,860,312	10,061	-	-	-	-	-	10,061
Residual value of warrants	14(b)(i)	-	(302)	-	302	302	-	-	-
Share issuance costs		16,079	(57)	-	1	1	-	-	(56)
Shares issued for acquisitions	14(b)(ii)	23,797,849	22,096	-	860	860	-	-	22,956
Shares issued for services	14(b)(iii)	1,057,174	1,659	-	-	-	-	-	1,659
Shares issued for debt	14(b)(iv)	162,500	126	-	-	-	-	-	126
Exercise of stock options	14(b)(vi)	475,000	1,033	(262)	-	(262)	-	-	771
Redemption of restricted share units	14(b)(vii)	38,624	106	-	-	-	-	-	106
Share-based compensation	14(e)	-	-	1,918	-	1,918	-	-	1,918
Forfeited stock options and warrants		-	-	(2,868)	-	(2,868)	-	2,868	-
Finders' warrants		-	-	-	15	15	-	-	15
Comprehensive loss for the period		-	-	-	-	-	503	(13,805)	(13,302)
Balance, December 31, 2018		58,328,993	83,168	995	5,915	6,910	641	(44,882)	45,837
Shares issued for cash	14(b)(i)	534,140	435	-	-	-	-	-	435
Shares issued for services	14(b)(iii)	1,925,000	2,102	-	-	-	-	-	2,102
Exercise of warrants	14(b)(v)	175,000	201	-	(60)	(60)	-	-	141
Conversion of debentures	14(b)(ix)	732,900	739	-	-	-	-	-	739
Share-based compensation	14(e)	-	-	2,763	-	2,763	-	-	2,763
Forfeited stock options and warrants		-	-	(553)	(68)	(621)	-	621	-
Comprehensive loss for the period		-	-	-	-	-	192	(15,619)	(15,427)
Balance, March 31, 2019		61,696,033	86,645	3,205	5,787	8,992	833	(59,880)	36,590

The accompanying notes are an integral part of the consolidated financial statements.

CITATION GROWTH CORP.
(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

Consolidated Statements of Changes in Equity
In thousands of Canadian dollars except for share data
(Unaudited)

		Share Capital		**Reserves**			**Accumulated other comprehensive loss**	**Deficit**	**Total Equity**
	Note	Common Shares	Amount	Stock Options	Share Purchase Warrants	Total Reserves			
		#	$	$	$	$	$	$	$
Balance, March 31, 2019		61,696,033	86,645	3,205	5,787	8,992	833	(59,880)	36,590
Adoption of IFRS 16	4	-	-	-	-	-	-	**(43)**	**(43)**
Balance, April 1, 2019		**61,696,033**	**86,645**	**3,205**	**5,787**	**8,992**	**833**	**(59,923)**	**36,547**
Share consolidation rounding		**33**	-	-	-	-	-	-	-
Shares issued for cash	14(b)(i)	**3,615,000**	**1,085**	-	-	-	-	-	**1,085**
Shares issued for acquisitions	14(b)(ii)	**38,346,250**	**14,428**	-	**592**	**592**	-	-	**15,020**
Shares issued for debt	14(b)(iv)	**606,768**	**188**	-	-	-	-	-	**188**
Shares issued for services	14(b)(iii)	**1,100,000**	**412**	-	-	-	-	-	**412**
Conversion of debentures	14(b)(ix)	**766,264**	**389**	-	-	-	-	-	**389**
Warrants issued for Amended Debentures	13(b), 14(c)	-	-	-	**283**	**283**	-	-	**283**
Redemption of restricted share units		**5,403,750**	**3,118**	**(3,118)**	-	**(3,118)**	-	-	-
Shares returned to treasury	14(b)(i)	**(62,500)**	**(198)**	-	-	-	-	-	**(198)**
Share-based compensation	14(e), 14(f)	-	-	**5,461**	-	**5,461**	-	-	**5,461**
Forfeited stock options and warrants		-	-	**(336)**	**(297)**	**(633)**	-	**633**	-
Comprehensive loss for the period		-	-	-	-	-	**(562)**	**(11,520)**	**(12,082)**
Balance, December 31, 2019		**114,471,598**	**106,067**	**5,212**	**6,365**	**11,577**	**271**	**(70,810)**	**47,105**

The accompanying notes are an integral part of the consolidated financial statements.

CITATION GROWTH CORP.
(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

Consolidated Statements of Cash Flows
In thousands of Canadian dollars except for share data
(Unaudited)

	Notes	Nine Months Ended December 31 2019	2018
		$	$
Operating activities			
Net loss		**(11,520)**	(13,805)
Non-cash items			
Unrealized gain on changes in fair value of biological assets	5	**(1,534)**	(181)
Change in fair value of inventory sold		**1,164**	-
Depreciation and amortization	7, 9	**971**	149
Share-based compensation	14(e), 14(f)	**5,461**	1,918
Accretion expense	4, 16	**1,063**	279
Accrued interest expense		**709**	(14)
Loss on sale of marketable securities		**-**	211
Loss on sale of property, plant and equipment		**537**	-
Gain on sale of shares of associate company		**-**	373
Share of loss in investment in associate		**-**	259
Gain on deemed disposal of investment in associate		**-**	(1,184)
Realized and unrealized losses on derivative asset		**1**	2,023
Unrealized gain on derivative liabilities	13	**(1,579)**	(32)
Gain on settlement of debt	14(b)(iv)	**(26)**	5
Warrants issued for Amended Debentures	13(b)	**64**	-
Shares issued for debenture interest		**4**	-
Shares issued for services	14(b)(iii)	**413**	1,767
		(4,272)	(8,232)
Changes in non-cash working capital			
Accounts receivable		**(48)**	56
Biological assets		**(2,632)**	-
Inventory		**1,871**	(155)
Due from a related party		**670**	-
Prepaid expenses and deposits		**41**	(3,827)
Accounts payable and accrued liabilities		**1,886**	(1,576)
Income tax payable		**106**	-
Net cash used in operating activities		**(2,378)**	(13,734)
Investing activities			
Acquisition of property, plant and equipment	7	**(709)**	(4,683)
Proceeds from sale of property, plant and equipment, net	7	**597**	-
Acquisition of intangible assets	9	**(215)**	23
Cash acquired on acquisition		**257**	1,900
Net cash used in investing activities		**(70)**	(2,760)
Financing activities			
Loans receivable		**-**	(283)
Proceeds on sale of shares of associate		**-**	1,030
Loans and borrowings	12	**1,216**	1,000
Proceeds of convertible debentures, net of issuance costs	13(c)	**488**	3,160
Repayment of lease liabilities	4	**(297)**	-
Shares issued for cash, net of issuance costs	14(b)	**1,085**	12,142
Net cash provided by financing activities		**2,492**	17,049
Effect of foreign currency translation on cash		**211**	(19)
Increase in cash		**255**	536
Cash, beginning of the period		**107**	815
Cash, end of the period		**362**	1,351
Supplemental cash flow information:			
Addition to Property, plant and equipment included in accounts payable		**1,678**	-
Interest paid		**108**	-

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations and going concern

Citation Growth Corp. (formerly Liht Cannabis Corp. and Marapharm Ventures Inc.) (the "Company") is governed by the *Business Corporations Act* (British Columbia). The head office is located at Suite 102 – 1561 Sutherland Avenue, Kelowna, British Columbia, Canada V1Y 5Y7. The Company's common shares are traded on the Canadian Stock Exchange ("CSE") under the trading symbol "CGRO" and OTCQX markets under the ticker symbol "CGOTF".

On October 24, 2018, the Company changed its name from Marapharm Ventures Inc. to Liht Cannabis Corp. and on June 7, 2019, changed its name to Citation Growth Corp.

The Company is in the business of cultivation and production of medical and recreational marijuana with operations in the United States, in the states of Nevada and California. The Company has six state approved licenses in Nevada which consist of medical and recreational marijuana cultivation licenses, medical and recreational production licenses, medical cannabis licenses associated with lands owned in Washington, and a distribution license with a dispensary in California. The Company also has a pending application with Health Canada to become a licensed producer under the *Cannabis Act* (Canada) ("Cannabis Act").

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and negative operating cash flows since inception. As at December 31, 2019, the Company had accumulated deficit of $70,810 (March 31, 2019 - $59,880), and working capital deficiency of $10,137 (March 31, 2019 - working capital deficiency of $387). The Company's ability to continue as a going concern is dependent on obtaining continued financial support, securing debt and/or equity financing and generating profitable operations in the future. Management is committed to raising additional capital to meet its financial obligations and commitments, fund its growth initiatives, capital expenditures and sustain its operations in the normal course of business. Although the Company has raised funds in the past, there can be no assurance that the Company will be able to secure additional adequate financing.

These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

On June 12, 2019, the Company completed a consolidation of its issued and outstanding shares on the basis of four (4) pre-consolidation common shares for one (1) post-consolidation common share (the "Share Consolidation"). As a result of the Share Consolidation, the 247,875,997 common shares issued and outstanding at June 12, 2019 were consolidated to 61,969,033 common shares. All information in these consolidated financial statements is presented on a post Share Consolidation basis.

In thousands of Canadian dollars, except for share data, unless otherwise noted

2. Significant accounting policies

(a) Basis of presentation

These condensed interim consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2019.

(b) Basis of consolidation

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 2, 2020.

These consolidated financial statements include the accounts of the Company and the following wholly owned subsidiaries (collectively, the "Company"). Intercompany balances and transactions are eliminated on consolidation.

Entity	Country of Incorporation	Ownership	Functional Currency
Marapharm Inc.	Canada	100%	Canadian Dollar
Full Spectrum Medicinal Inc. ("Full Spectrum")	Canada	100%	Canadian Dollar
Marapharm Las Vegas LLC ("MLV")	United States	100%	U.S. Dollar
Marapharm Washington LLC ("MWA")	United States	100%	U.S. Dollar
EcoNevada LLC ("EcoNevada")	United States	100%	U.S. Dollar
Phenofarm NV LLC ("Phenofarm")	United States	100%	U.S. Dollar
ACC C Corp. ("ACC")	United States	100%	U.S. Dollar
Marapharm DHS California LLC ("MDHS")	United States	100%	U.S. Dollar
420 Express Delivery Inc., dba, Green Leaf Wellness LLC ("Green Leaf")	United States	100%	U.S. Dollar

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets and other investments which are measured at fair value.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Significant accounting judgments, estimates and assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows.

(a) Biological assets and inventory

The Company measures biological assets consisting of cannabis on plants at fair value less cost to sell up to the point of harvest. Determining the fair value requires management to make a number of estimates, including costs incurred for each stage of growth of the plants up to the point of harvest, expected yield per plant, wastage of plants, selling prices per gram and post-harvest costs.

The Company measures inventory at the lower of cost and net realizable value and estimates the sales price, costs of completion and selling costs.

(b) Business combination

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.

(c) Investment in associates

In determining the appropriate basis of accounting for the Company's interests in associates, judgment is applied regarding the degree to which the Company has the ability to exert influence directly or indirectly over the associate's financial and operating activities.

(d) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Company's control. If the recognition criteria for assets held for sale are no longer met or if management's plans change, the Company will cease to classify the assets as held for sale.

3. Significant accounting judgments, estimates and assumptions (continued)

(e) Impairment of property, plant and equipment and intangible assets

An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

(f) Useful lives of property, plant and equipment and intangible assets

Depreciation and amortization are dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. Management reviews the useful lives of property, plant and equipment and intangible assets at each reporting date and makes assessments of any impairment considering factors such as economic and market conditions, anticipated changes in laws and technological improvements.

(g) Share-based compensation

The fair value of share-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(h) Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

4. Accounting standards adopted in the current year

IFRS 16 Leases

Effective April 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for leases. The Company elected to apply IFRS 16 using a modified retrospective approach by recognizing the cumulative effect of adopting IFRS 16 in an adjustment to the opening statement of financial position at April 1, 2019. The comparative information was not restated and remains as previously reported under IAS 17 Leases.

In thousands of Canadian dollars, except for share data, unless otherwise noted

4. Accounting standards adopted in the current year (continued)

Accounting Policy

At the inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if it has the right to direct the use of the asset.

The Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, variable lease payments, lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On adoption of IFRS 16, the Company recorded right-of-use assets of $384 within property, plant and equipment and lease liabilities of $155 as at April 1, 2019. The weighted average incremental borrowing rate for lease liabilities initially recognized as of April 1, 2019 was 12%.

	$
As at March 31, 2019	-
Adoption of IFRS 16	
Future aggregate minimum lease payments under operating leases as at April 1, 2019	420
Effect of discounting at the incremental borrowing rate	(265)
Lease liabilities arising on initial application of IFRS 16	155
Lease liability recognized during the period ended December 31, 2019	1,571
Cash principal and interest payments	(296)
Accretion	83
Foreign exchange	(32)
As at December 31, 2019	1,481
Less: current portion	481
	1,000

In thousands of Canadian dollars, except for share data, unless otherwise noted

5. Biological assets

The Company's biological assets consist of cannabis seeds and cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Carrying amount, March 31, 2018	-
Production costs capitalized	506
Changes in fair value less cost to sell due to biological transformation	43
Transferred to inventory upon harvest	(353)
Foreign currency	8
Carrying amount, March 31, 2019	204
Biological assets acquired from ACC (Note 8(a))	365
Genetics purchased	25
Production costs capitalized	2,632
Changes in fair value less cost to sell due to biological transformation	1,534
Transferred to inventory upon harvest	(4,050)
Foreign currency	(16)
Carrying amount, December 31, 2019	694

As at December 31, 2019, the fair value of biological assets included $6 in seeds and $688 in cannabis plants, and the weighted average fair value less cost to complete and cost to sell was $4.36 per gram.

Biological assets are classified as level 3 on the fair value hierarchy. Significant unobservable inputs used to fair value biological assets include the Company's selling price per gram of dried cannabis and yield of cannabis per plant. The Company expects that a $1.00 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by $100. A 10% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by $47. Other unobservable inputs are less variable and will not result in significantly higher or lower fair value measurement.

During the three and nine months ended December 31, 2019, the Company produced approximately 478,939 grams and 893,760 grams of dried cannabis, respectively. As of December 31, 2019, the biological assets were on average 63% complete and it was expected that the Company's biological assets would yield approximately 337,439 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

6. Inventory

	December 31, 2019	March 31, 2019
	$	$
Harvested cannabis	**1,404**	464
Consumable inventory	**149**	-
Finished goods	**221**	-
	1,774	464

In thousands of Canadian dollars, except for share data, unless otherwise noted

7. Property, plant and equipment

	Land	Furniture & equipment	Buildings and leasehold improvements	Buildings under construction	Right-of-use of assets	Total
	$	$	$	$	$	$
Cost						
Balance, March 31, 2018	4,264	1,554	535	7,228	-	13,581
Additions	715	2,349	3	11,871	-	14,938
Foreign currency	65	63	18	414	-	560
Buildings completed	-	-	8,504	(8,504)	-	-
Reclassified to assets held for sale (Note 10(b))	(3,059)	(33)	(520)	(7,236)	-	(10,848)
Balance, March 31, 2019	1,985	3,933	8,540	3,773	-	18,231
IFRS 16 adoption (Note 4)	-	-	-	-	384	384
Balance, April 1, 2019	1,985	3,933	8,540	3,773	384	18,615
Reclassified from assets held for sale (Note 10(b))	-	33	49	-	-	82
Additions	-	901	3,463	648	1,406	6,418
Disposition	(87)	-	-	(1,071)	-	(1,158)
Foreign currency	(44)	(56)	(311)	-	(37)	(448)
Balance, December 31, 2019	**1,854**	**4,811**	**11,741**	**3,350**	**1,753**	**23,509**
Accumulated depreciation and impairment losses						
Balance March 31, 2018	720	151	190	-	-	1,061
Depreciation	-	149	123	-	-	272
Impairment	1,011	185	-	1,075	-	2,271
Foreign currency	45	11	8	20	-	84
Reclassified to assets held for sale (Note 10(b))	(1,030)	(12)	(261)	(1,095)	-	(2,398)
Balance March 31, 2019	746	484	60	-	-	1,290
IFRS 16 adoption (Note 4)	-	-	-	-	271	271
Balance, April 1, 2019	746	484	60	-	271	1,561
Reclassified from assets held for sale (Note 10(b))	**-**	**12**	**23**	**-**	**-**	**35**
Depreciation		**179**	**309**	**-**	**231**	**719**
Foreign currency	**(20)**	**(6)**	**(7)**	**-**	**(10)**	**(43)**
Balance, September 30, 2019	**726**	**669**	**385**	**-**	**492**	**2,272**
Carrying value						
Balance, March 31, 2019	1,239	3,449	8,480	3,773	-	16,941
Balance, December 31, 2019	**1,128**	**4,142**	**11,356**	**3,350**	**1,261**	**21,237**

As at December 31, 2019, costs related to the construction of production facilities were capitalized and not amortized. Amortization will commence when construction is completed, and the facility is available for its intended use. During the three and nine months ended December 31, 2019, $72 (2018 - $Nil) and $274 (2018 - $Nil) in borrowing costs were capitalized to buildings under construction at a weighted average interest rate of 9% (2018 - 0%).

During the nine months ended December 31, 2019, the Company disposed of land and buildings located in Magna Bay, British Columbia for gross proceeds of $600. The Company recorded a loss of $537 from the sale of the property. Note 12(a)

In thousands of Canadian dollars, except for share data, unless otherwise noted

8. Business combination and asset acquisitions

	Business Combination	Asset acquisition	
	ACC (a)	Full Spectrum (b)	Tonasket, WA (c)
	$	$	$
Consideration paid			
Cash	-	-	-
Common shares	13,125	18,959	2,520
Warrants	592	860	-
Acquisition costs – common shares	1,219	617	-
Acquisition costs – cash	-	4	-
	14,936	20,440	2,520
Net identifiable assets acquired (liabilities assumed)			
Cash	257	1,900	-
Accounts receivable	1,630	64	-
Due from a related party	1,951	-	-
Prepaid expenses	71	20	-
Biological assets (Note 5)	365	-	-
Inventory	197	-	-
Property, plant and equipment	5,345	2,168	-
Accounts payable and accrued liabilities	(2,824)	(254)	-
Due to related companies	(1,214)	-	-
Loans and borrowings (Notes 12 and 18(b)(ii))	(7,114)	(475)	-
	(1,336)	3,423	-
Purchase price allocation			
Net identifiable assets acquired	(1,336)	3,423	-
Intangible assets – intellectual property	-	17,017	-
Intangible assets – sublease rights and options	-	-	2,520
Goodwill	16,272	-	-
	14,936	20,440	2,520

(a) ACC

On August 2, 2019, the Company completed the acquisition of ACC, a licensed cannabis cultivator in Nevada. The Company acquired all of the issued and outstanding shares of ACC for a total consideration of $14,936 which comprised of 35,000,000 common shares at a fair value of $13,125, 11,500,000 warrants at a fair value of $592 and finders' fees of 3,250,000 common shares at a fair value of $1,219.

The warrants are exercisable at $2.50 per share expiring August 2, 2021, subject to acceleration if the volume weighted average price ('VWAP") of the Company's shares is greater than $3.50 for a period of 10 consecutive trading days. The fair value of the 11,500,000 warrants at the date of acquisition was estimated at $0.05 per warrant using the Black-Scholes option pricing model with the following assumptions: share price of $0.37; risk-free rate of 1.41%; stock price volatility of 101.98%; dividend yield of 0%; and expected life of warrants of 2 years.

Of the 35,000,000 share consideration, 11,159,379 shares are held in escrow. (Note 14(g))

8. Business combination and asset acquisitions

(a) ACC (continued)

The purchase price was allocated based on management's preliminary assessment of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition and is subject to change. Management continues to refine its purchase price allocation for the fair value of identifiable intangible assets and goodwill.

Goodwill represents the expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

For the three and nine months ended December 31, 2019, ACC accounted for $865 in revenues and net loss of $1,172 since the acquisition date of August 2, 2019. If the acquisition had been completed on April 1, 2019, the Company estimates that there would have been an increase in revenues of $1,148 and net loss of $1,306 for the three and nine months ended December 31, 2019.

(b) Full Spectrum

On September 25, 2018, the Company completed the acquisition of all of the issued and outstanding securities of Full Spectrum for aggregate consideration of $20,440 consisting of 88,182,102 common shares at a fair value of $18,959, 9,945,000 share purchase warrants at a fair value of $860 and acquisition costs of $621 which consisted of $4 in cash and 3,009,295 common shares at a fair value of $617. The fair value of the 9,945,000 warrants at the date of acquisition was estimated at $0.09 per warrant using the Black-Scholes option pricing model with the following assumptions: share price of $0.21; risk-free rate of 2.19%; stock price volatility of 87%; dividend yield of 0%; and expected life of warrants of 1.50 year. The transaction was accounted for as an asset acquisition.

Full spectrum owns a 40-acre property and cannabis growing facilities that are under construction located in Celista, British Columbia, and Citation has a pending late-stage license application under the Cannabis Act to be assigned to the property. A total of ten 10,000 square foot engineered bio-secure facilities are to be constructed on the site.

Joint Venture Agreements

(i) Celista Project

On January 30, 2019, the Company, through Full Spectrum, entered into a joint venture agreement (the "Agreement") with 1186626 BC Ltd. ("118") to jointly develop the property located in Celista, British Columbia (the "Celista Project"). Under the Agreement, 118 will provide a capital contribution in the aggregate amount of $10,000 (the 'Contribution") (Note 12), to be delivered to the Company in four equal tranches of $2,500 for the construction of ten 10,000 square foot cannabis cultivation facilities. The Contribution is secured and bears interest at prime plus 5% per annum, compounded monthly.

8. Business combination and asset acquisitions (continued)

(b) Full Spectrum (continued)

Joint Venture Agreements

(i) Celista Project (continued)

Pursuant to the Agreement, each of the Company and 118 will be entitled to receive 50% of the distributable cashflow from the Celista Project from the date of the agreement until the third year that all ten facilities are fully operational and in full production (the "Distribution"), and 100% to the Company thereafter. In the event that 118 defaults in payment of any portion of the Contribution, its entitlement to the Distribution shall be reduced by 12.5% for each tranche or portion not advanced to the Celista Project until such time the default has been remedied.

On October 31, 2019, the Company entered into an amended agreement with 118 dated November 7, 2019 (the "Amended Agreement"). Under the terms of the Amended Agreement, the Contribution shall be $6,350 (the "Amended Contribution") which will be used to complete the construction of the Company's 10,000 square foot cultivation facility. In addition, the Distribution shall be 80% to 118 and 20% to the Company until the first year anniversary that 118's Amended Contribution has been fully repaid, and 100% to the Company thereafter. The Amended Agreement is subject to the Company keeping its Health Canada license application active pursuant to the Cannabis Act.

In consideration of the Amended Agreement, the Company agreed to terminate the JV Agreement (Note 8(b)(ii)) and assign all of its interest in the Buds Agreement to 118 (Note 8(d)).

(ii) Chase Project

On January 30, 2019, as amended on May 6, 2019, the Company, through Full Spectrum, entered into a joint venture agreement (the "JV Agreement") with 118 and 1196788 BC Ltd. ("119") to develop and operate cannabis production facilities located in Chase, British Columbia (the "Chase Project") through 119. 119 which is controlled by 118, purchased a 120 acre parcel of land while the Company is securing a license under the Cannabis Act for the Chase Project. (Note 8(d))

All capital contributions on the Chase Project will be paid by 118. Upon repayment of two-thirds of the total capital contributions to 118, 119 will issue 50% of its issued and outstanding shares to the Company such that 119 will be equally held by the Company and 118. In addition, a director of the Company will be appointed to the board of 119 resulting in both parties having a representation on the board of 119.

Under the agreement, the Company and 118 will be entitled to 20% and 80%, respectively, of the net cashflows from the Chase Project if at the time of the distribution, 118 has not been repaid in full for all of its capital contributions. If at the time of distribution, 118 has been fully repaid, the distribution shall be 50% to each of the Company and 118.

In consideration for the Amended Agreement, the JV Agreement was terminated. (Note 8(b)(i))

8. Business combination and asset acquisitions (continued)

(c) Tonasket, Washington property

On May 29, 2018, the Company completed the acquisition of certain operational assets, leases, subleases and an option and right of first refusal ("ROFR') to purchase Washington State Liquor Cannabis Board ("WSLCB") Tier 2 and Tier 3 cultivation and processing licenses related to cannabis production and processing operations in Tonasket, Washington (the "Property"). In consideration for the acquisition, the Company issued 4,000,000 common shares of the Company at a fair value of $2,520. The full amount of the purchase consideration was allocated to intangible assets, sublease and option agreements.

In March 2019, the Company decided not to pursue cannabis production operations in Washington and is currently negotiating for an assignment of its ownership interest in the Property to Veritas in the amount of $900 in settlement of the Company's loan (Note 18(b)(i)). As a result, the Company wrote-down the carrying amount of the intangible asset by $1,176 to its estimated fair value of $900. (Note 9)

On April 12, 2018, the Company entered into a one-year loan agreement in the principal amount of $189 (US$150) at a rate of 8% per annum. The borrower is in the business of providing services to marijuana producers and processors licensed by the WSLCB and used the funds to carry out the necessary work for the Company to be able to immediately commence operations upon receipt of the WSLCB licenses. During the year ended March 31, 2019, the Company made additional aggregate advances of $121 (US$82) to the Borrower. In March 2019, the Company wrote-off aggregate loans and interests of $310 (US$232) as it was not pursuing cannabis operations in Washington.

(d) Buds for You Inc. ("Buds")

The Company, through Full Spectrum, entered into a Share Exchange Agreement (the "Buds Agreement") dated April 19, 2019 to acquire Buds, a late stage cannabis cultivation, processing and sales license applicant under the Cannabis Act (the "Buds License"). On the date of execution of the Agreement, the Company paid a non-refundable deposit of $250 and issued 62,500 common shares at a fair value of $55. The Company will acquire all of the issued and outstanding shares of Buds for an additional $750 and a 5% perpetual gross royalty on net sales and other income from cannabis derived by the Company from the property location where Bud's license will be assigned to (Note 8(b)(ii)). The Company issued 33,750 common shares at a fair value of $30 as a finder's fee for the transaction. The Company will transfer the Buds License to 119 on closing of the acquisition.

In consideration for the Amended Agreement, effective November 7, 2019, the Buds Agreement was assigned to 118. (Note 8(b)(i))

In thousands of Canadian dollars, except for share data, unless otherwise noted

9. Intangible assets

	Intellectual property	Marijuana licenses	Sublease right & options	Creation costs	Total
	$	$	$	$	$
Cost					
Balance, March 31, 2018	-	3,912	574	30	4,516
Additions	17,017	198	2,520	-	19,735
Foreign exchange	-	146	-	1	147
Reclassified to held for sale (Note 10(b))	-	(2,102)	-	(27)	(2,129)
Balance, March 31, 2019	17,017	2,154	3,094	4	22,269
Reclassified from held for sale (Note 10(b))	**-**	**2,102**	**-**	**27**	**2,129**
Additions	**-**	**225**	**-**	**-**	**225**
Foreign exchange	**-**	**(63)**	**-**	**-**	**(63)**
Balance, December 31, 2019	**17,017**	**4,418**	**3,094**	**31**	**24,560**
Accumulated amortization and impairment losses					
Balance, March 31, 2018	-	-	574	6	580
Amortization	-	168	444	3	615
Impairment	-	-	1,176	-	1,176
Foreign exchange	-	2	-	3	5
Reclassified to held for sale (Note 10(b))	-	(135)	-	(8)	(143)
Balance, March 31, 2019	-	35	2,194	4	2,233
Reclassified from held for sale (Note 10(b))	**-**	**959**	**-**	**7**	**966**
Amortization	**-**	**108**	**141**	**1**	**250**
Foreign exchange	**-**	**27**	**-**	**1**	**28**
Balance, December 31, 2019	**-**	**1,129**	**2,335**	**13**	**3,477**
Net book value					
Balance, March 31, 2019	**17,017**	**2,119**	**900**	**-**	**20,036**
Balance, December 31, 2019	**17,017**	**3,289**	**759**	**18**	**21,083**

10. Assets and liabilities held for sale

	December 31, 2019	March 31, 2019
	$	$
Lynden, Washington Property (a)	**6,478**	6,665
Land located at Desert Hot Springs, California	**1,688**	1,737
Green Leaf assets (b)	**-**	1,384
Assets held for sale	**8,166**	9,786
Mortgage loan	**2,978**	**2,539**
Green Leaf liabilities	**-**	**205**
Liabilities associated with assets held for sale	**2,978**	**2,744**

(a) The assets classified as held for sale consist of certain lands and buildings located in Washington and California which have been listed for sale. These assets are expected to be sold within a twelve-month period and are no longer productive assets as there is no interest to develop them for future use. During the year ended March 31, 2019, the Company wrote-down the carrying amount of these assets by $2,125 (US$1,590) to their aggregate estimated fair value of $8,402 (US$6,288) and transferred the balance from property, plant and equipment to assets held for sale.

In thousands of Canadian dollars, except for share data, unless otherwise noted

10. Assets and liabilities held for sale (continued)

(a) The Company entered into a secured promissory note dated March 8, 2019 in the principal amount of $2,539 (US$1,900) (the "Debt") which was used to purchase the Lynden property. The Debt bears interest at 15% per annum and repayable over a period of 12 months with a balloon payment at the end of twelve months. The principal amount may be extended for a period of 6 months for an extension fee of 2%. If the monthly payments are not paid within 5 days of the due date, a late fee of 10% will be charged to the Company. The Debt is secured by a Security Agreement, Assignment of Leases and Rents and a Fixture Financing Statement. The Debt proceeds were used to purchase the Lynden Property. The Debt is to be repaid as part of a sale transaction and has been included in liabilities associated with assets held for sale. The Company is in default of its repayment obligation under the promissory note. (Note 18(c))

(b) On March 5, 2019, the Company entered into a Letter of Intent (the "LOI") with respect to a proposed acquisition of a 51% ownership interest in Green Leaf for total consideration of US$350. Under the LOI, the purchaser will carry out a rebranding of the dispensary valued at US$250, and has a right of first refusal to purchase the remaining 49% of Green Leaf.

As a result of the LOI, as at March 31, 2019, Green leaf's assets and liabilities were classified as held for sale, and during the years ended March 31, 2019 and 2018, its revenues and expenses were eliminated from profit or loss of the Company's continuing operations and were shown as a single item in the statements of comprehensive loss.

In June, 2019, due to the Company's reorganization, management changed its plans regarding Green Leaf and terminated the LOI effective August 1, 2019. As a result, as of December 31, 2019, the Company ceased to classify Green leaf as held for sale and its results of operations were reclassified and included in loss from continuing operations for all periods presented.

11. Investment in associate

	Common Shares (Investment in associate)		Warrants (Derivatives)	
	#	$	#	$
Balance, March 31, 2018	6,100,000	267	11,500,000	2,472
Disposals	**(178,000)**	**(8)**	-	-
Share of loss in equity investment	-	**(259)**	-	-
Reclassification to marketable securities	**(5,922,000)**	-	-	-
Unrealized loss on changes in fair value	-	-	-	**(1,625)**
Realized loss on expired warrants	-	-	**(5,000,000)**	**(846)**
Balance, March 31, 2019	**-**	**-**	**6,500,000**	**1**
Unrealized loss on changes in fair value	-	-	-	**(1)**
Realized loss on expired warrants	-	-	**(6,500,000)**	-
Balance, December 31, 2019	**-**	**-**	**-**	**-**

In January 2017, the Company invested in unit private placements and warrant offering of Veritas and based on its 12.92% ownership interest, representation on the board of directors of Veritas and other qualitative factors, the Company obtained significant influence in Veritas and the fair value of the common shares was classified as investment in associate. The warrants were classified as derivatives and measured at fair value through profit or loss.

In thousands of Canadian dollars, except for share data, unless otherwise noted

11. Investment in associate (continued)

On June 30, 2018, the Company recognized a share of loss in Veritas of $259, thereby reducing its carrying value in investment in associates to $Nil. On August 14, 2018, as a result of the Company's directors' resignation from the board of Veritas and other qualitative factors, the Company no longer exerted significant influence over Veritas. The carrying value of the Company's remaining 5,922,000 common shares of $nil was derecognized from investment in associates and reclassified to marketable securities at its fair value of $1,184 based on a quoted market price of $0.20 per share. The Company recognized a fair value gain of $1,184 on reclassification to marketable securities.

During the year ended March 31, 2019, the Company disposed of the 5,922,000 shares in Veritas for gross proceeds of $1,013 and recorded a loss on marketable securities of $211.

During the three and nine months ended December 31, 2019, the Company recorded an unrealized gain of $Nil (2018 - $299) and unrealized loss of $1 (2018 - $2,023) on the changes in fair value of warrant derivatives and recognized a loss of $Nil on 6,500,000 warrants which expired unexercised.

12. Loans and borrowings

	Note	Interest per annum	Maturity	**December 31, 2019**	March 31, 2019
				$	$
Loan from Veritas	8(c), 18(b)(i)	-	-	**1,000**	1,000
Mortgage loan	8(b)	9%	June 9, 2019	**150**	150
Mortgage loan	8(b)	9%	April 25, 2019	**450**	325
The Contribution	8(b)(i)	8.95%	-	**2,681**	1,454
Related party loan	12(a)	5%	-	**-**	-
Promissory notes	12(b), 8(a)	3% & 7%	-	**6,987**	-
				11,268	2,929

(a) The Company entered into a loan agreement with a company controlled by a director of the Company in the principal amount of $200. The loan was secured and repayable from the proceeds of the sale of one of the Company's non-core assets on or before Oct. 14, 2019 (the "Maturity Date"). The loan bore interest at a rate of 5% per annum until the Maturity Date. Non-repayment of loan on the Maturity Date resulted in additional interest of 2% per month on the total amount outstanding. In consideration for the loan, the Company issued 39,200 common shares to the lender at a fair value of $10. On December 23, 2019, the Company repaid the principal amount of $200 and interest of $20. Note 7

(b) ACC entered into promissory notes dated August 19, 2016 in the principal amount of US$3,500 ("PN1") and September 6, 2016 in the principal amount of US$1,200 ("PN2"), collectively, (the "Notes"). The Notes matured on September 1, 2017. PN1 bore interest at a rate of 7% per annum and PN2 at 3% per annum. (Note 18(b)(ii))

In thousands of Canadian dollars, except for share data, unless otherwise noted

13. Convertible debentures

	May 1, 2017 (a)	October 23, 2018 (b)	May 9, 2019 & July 10, 2019 (c)	Total
	$	$	$	$
Balance, March 31, 2018	997	-	-	997
Issued	-	3,293	-	3,293
Transaction costs	-	(98)	-	(98)
Conversion feature	-	(1,121)	-	(1,121)
Conversion of debentures	-	(451)	-	(451)
Accretion expense	276	427	-	703
Accrued interest	-	139	-	139
Interest paid	-	-	-	-
Foreign exchange	41	-	-	41
Balance, March 31, 2019	**1,314**	**2,189**	**-**	**3,503**

	May 1, 2017 (a)	October 23, 2018 (b)	May 9, 2019 & July 10, 2019 (c)	Total
	$	$	$	$
Balance, March 31, 2019	**1,314**	**2,189**	**-**	**3,503**
Issued	**-**	**-**	**500**	**500**
Transaction costs	**-**	**(219)**	**(13)**	**(232)**
Conversion feature	**-**	**(587)**	**(204)**	**(791)**
Conversion of debentures	**-**	**(84)**	**-**	**(84)**
Accretion expense	**181**	**761**	**39**	**981**
Accrued interest	**-**	**195**	**28**	**223**
Interest paid	**-**	**(286)**	**-**	**(286)**
Foreign exchange	**(40)**	**-**	**-**	**(40)**
Balance, December 31, 2019	**1,455**	**1,969**	**350**	**3,774**

(a) On May 1, 2017, the Company closed a private placement of 117 convertible bonds at an issue price of US$10 per bond for total gross proceeds of $1,556 (US$1,170) (the "Bonds"). The Bonds are convertible into common shares of the Company at a price of $4 per share in the first year, $8 per share in the second year and $12 per share in the third year. The Bonds mature on May 1, 2020 and bear compound interest at 8.5% per annum, payable monthly. The Bonds are secured by the assets of MLV which included land, buildings and marijuana licenses in the State of Nevada.

The Bonds consist of a liability component ("financial liability") and an embedded derivative conversion feature ("derivative liability"). During the three and nine months ended December 31, 2019, the Company recorded an unrealized gain on the derivative liability of $Nil and $1 respectively (three and nine months ended December 31, 2018 - $Nil and $32). As at December 31, 2019, the fair value of the conversion feature of $Nil (March 31, 2019 - $1) was determined using the Black-Scholes option pricing model based on the following assumptions: share price of $0.25; risk-free rate of 1.59%; stock price volatility of 110.07%; dividend yield of 0%; and expected life of warrants of 0.59 year.

As of December 31, 2019, the Company is in default of its interest payment obligation of US$41 under the Bonds.

13. Convertible debentures (continued)

(b) On October 23, 2018, the Company closed a private placement of a one-year 10% unsecured convertible debentures for total gross proceeds of $3,293. The debentures matured on October 23, 2019, and were convertible into units of the Company at a price of $0.80 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at $2.00 per share expiring October 23, 2019. The holders were entitled to convert all or any part of the debentures into units of the Company at a price equal to 10% less than the offering price of the Company's short form prospectus offering carried out on or prior to the maturity date.

On October 23, 2019, the Company extended and amended the terms of the debentures (the "Amended Debentures") as follows:

(i) All accrued and unpaid interests were paid in common shares of the Company at market price. As a result, the Company issued 635,642 common shares to the holders in settlement of accrued interests of $261;

(ii) The Amended Debentures mature on October 23, 2020;

(iii) The Amended Debentures are convertible into common shares of the Company $0.70 per share subject to accelerated maturity if the VWAP of the Company's common shares is equal to or above $1.05 for ten consecutive trading days; and

(iv) Interest shall be paid in cash at maturity, however, if the Amended Debentures are converted into common shares prior to the maturity date, interests shall be paid in shares on the conversion date at a price equal to the conversion price.

In consideration for the amendment, the Company issued 3,723,033 warrants to the holders at an exercise price of $1.25 per share for a period of eighteen months expiring April 23, 2021, subject to acceleration if the VWAP of the Company's common shares is equal or above $1.88 for ten consecutive trading days. Additionally, the Company's CEO agreed to personally pay the debenture holders an additional $261 or 10% of the principal amount outstanding in common shares upon receipt of his bonus shares on achievement of performance milestones. The Company's CEO resigned subsequent to December 31, 2019.

All other terms of the debentures remain the same.

The Amended Debentures consisted of a financial liability and a derivative liability. On amendment date, the debentures were recorded at its amortized cost of $1,800 which represented the remaining fair value from the debenture balance of $2,606 after the allocation of $587 from the conversion feature and transaction costs of $219. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.35; risk-free rate of 1.65%; stock price volatility of 109.20%; dividend yield of 0%; and expected life of warrants of 1 year.

During the three and nine months ended December 31, 2019, the Company recorded an unrealized gain on the derivative liability of $473 and $1,474 (2018 - $Nil), and as at December 31, 2019, the fair value of the conversion feature of $246 (March 31, 2019 - $1,126) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.17; risk-free rate of 1.71%; stock price volatility of 110.78%; dividend yield of 0%; and expected life of warrants of 0.81 year.

The fair value of the 3,723,033 warrants of $283 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.35; risk-free rate of 1.65%; stock price volatility of 112%; dividend yield of 0%; and expected life of warrants of 1.50 years.

13. Convertible debentures (continued)

(c) During the nine months ended December 31, 2019, the Company closed a private placement of a two-years 10% unsecured convertible debentures for total gross proceeds of $500. The debentures are convertible into units of the Company at a price of $0.80 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $1.40 per share for a period of eighteen months. In the event the Company issues shares (or securities convertible into shares) at a purchase price less than $0.80 per share, the conversion price shall be reduced to such lower price and the exercise price of the warrant shall be reduced on a commensurate basis.

The debentures consisted of a financial liability and a derivative liability. At inception, the debentures were recorded at its amortized cost of $283 which represented the remaining fair value from the net proceeds of $500 after the allocation of $204 from the conversion feature and transaction costs of $13. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.72; risk-free rate of 1.61%; stock price volatility of 108.12%; dividend yield of 0%; and expected life of warrants of 1 year.

During the three and nine months ended December 31, 2019, the Company recorded an unrealized gain on the derivative liability of $27 and $152 (2018 - $Nil), and as at December 31, 2019, the fair value of the conversion feature of $53 (March 31, 2019 - $Nil) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.17; risk-free rate of 1.71%; stock price volatility of 110.83%; dividend yield of 0%; and expected life of warrants of 1.70 years.

14. Share capital

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding

As at December 31, 2019, the Company had 111,471,598 common shares (March 31, 2019 - 61,696,033) issued and outstanding.

(i) Shares issued for cash

Nine months ended December 31, 2019

On October 30, 2019, the Company closed a non-brokered private placement of 3,615,000 units at $0.30 per unit for gross proceeds of $1,085. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.60 per share for a period of two years expiring October 30, 2021, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above $1.00 for a period of ten consecutive trading days.

During the year ended March 31, 2019, the Company over issued 50,000 shares (2018 – 25,000 shares) to a former director of the Company. During the nine months ended December 31, 2019, a total of 62,500 common shares were returned to the Company and $198 in share subscriptions receivable were reversed. These shares were cancelled and returned to treasury. During the nine months ended December 31, 2019, the fair value of $36 for the remaining 12,500 shares not received was written off.

14. Share capital (continued)

(b) Issued and outstanding (continued)

(i) Shares issued for cash (continued)

Fiscal 2019

On April 2, 2018, the Company closed the second tranche of a non-brokered private placement of 61,701 units at $3.46 per unit for gross proceeds of $213. Each unit consisted of one common share and one share purchase warrant exercisable at $3.48 per share until April 2, 2019. A value of $193 has been attributed to the warrants using the residual value method. Total share issuance costs of $24 consisted of cash finders' fees of $14, 750 finder's warrants at a fair value of $1 and 2,890 common shares at a fair value of $10.

On May 18, 2018, the Company closed a non-brokered private placement of 1,875,001 units at $2.40 per unit for gross proceeds of $4,500. Each unit consisted of one common share and one-half of one share purchase warrant of the Company. Each warrant is exercisable into one common share at a price of at $2.80 per share until May 21, 2019. In conjunction with the closing of the private placement, the Company paid aggregate consulting fees of $3,647 to all subscribers of this private placement pursuant to consulting agreements for a term of one year for services related to capital markets, mergers and acquisitions ("M&A") opportunities and other advisory services. (Note 18(d))

On June 11, 2018, the Company closed a non-brokered private placement of 2,337,500 units at $2.00 per unit for gross proceeds of $4,675. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $2.80 per share until June 11, 2019. A value of $281 has been attributed to the warrants using the residual value method. In conjunction with the closing of the private placement, the Company paid aggregate consulting fees of $3,848 to certain subscribers of this private placement pursuant to consulting agreements for a term of one year for services related to capital markets, M&A opportunities and other advisory services. (Note 18(d))

On November 19, 2018, the Company closed a non-brokered private placement of 539,000 units at $1.00 per unit for gross proceeds of $539. Each unit consisted of one common share and one common share purchase warrant exercisable at a price of $2.00 per share until May 19, 2020. Finder's fees of $25 were paid on this private placement.

On March 28, 2019, the Company closed a non-brokered private placement of 531,250 units at $0.80 per unit for gross proceeds of $425. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable at a price of $2.00 per share until September 25, 2020.

(ii) Shares issued for asset acquisitions

Nine months ended December 31, 2019

During the nine months ended December 31, 2019, the Company issued 62,500 common shares at a fair value of $55 as a deposit related to the proposed acquisition of Buds. The Company issued 33,750 common shares at a fair value of $30 as a finder's fee. (Note 8(d))

14. Share capital (continued)

(b) Issued and outstanding (continued)

(ii) Shares issued for asset acquisitions (continued)

During the nine months ended December 31, 2019, the Company issued 35,000,000 common shares at a fair value of $13,125 related to the acquisition of ACC. The Company issued 3,250,000 common shares at a fair value of $1,219 as a finders' fees. (Note 8(a))

Fiscal 2019

On September 25, 2018, the Company issued 22,797,849 common shares at a fair value of $19,576 and 2,486,250 share purchase warrants at a fair value of $860 for the acquisition of Full Spectrum. (Note 8(b))

On May 29, 2018, the Company issued 1,000,000 common shares at a fair value of $2,520 for the acquisition of Tonasket assets. (Note 8(c))

(iii) Shares issued for services

Nine months ended December 31, 2019

An aggregate of 1,100,000 common shares were issued at a fair value of $412 to certain consultants for services rendered in connection with the development of the Celista Project.

Fiscal 2019

During the year ended March 31, 2019, the Company issued an aggregate of 2,982,174 common shares at a fair value of $3,761 for consulting fees.

(iv) Shares issued for debt

Nine months ended December 31, 2019

During the nine months ended December 31, 2019, the Company issued an aggregate of 606,768 common shares at a fair value of $188 to settle outstanding debts of $162. The Company recorded a corresponding gain on the settlement of debt of $26.

Fiscal 2019

During the year ended March 31, 2019, the Company issued an aggregate of 162,500 common shares at a fair value of $126 to settle outstanding debts of $131. The Company recorded a corresponding gain on the settlement of debt of $5.

(v) Shares issued on exercise of warrants

During the year ended March 31, 2019, the Company issued a total of 175,000 common shares on the exercise of warrants for gross proceeds of $140.

14. Share capital (continued)

(b) Issued and outstanding (continued)

(vi) Shares issued on exercise of stock options

During the year ended March 31, 2019, the Company issued an aggregate of 475,000 common shares on the exercise of options for gross proceeds of $771.

(vii) Redemption of vested RSUs

During the nine months ended December 31, 2019, 2,503,750 common shares were issued to employees, consultants and directors of the Company at a fair value of $2,103 on redemption of vested RSUs.

During the year ended March 31, 2019, 38,624 common shares were issued to consultants of the Company at a fair value of $106 on redemption of vested RSUs.

(viii) Performance and retention bonus shares

During the nine months ended December 31, 2019, an aggregate of 2,900,000 performance and bonus shares at a fair value of $1,015 were issued to certain directors, officers and employees of the Company.

(ix) Shares issued on conversion of convertible debentures

Nine months ended December 31, 2019

During the nine months ended December 31, 2019, the Company issued a total of 766,264 common shares at a fair value of $389 on conversion of debentures.

Fiscal 2019

During the year ended March 31, 2019, the Company issued a total of 732,900 common shares at a fair value of $739 on conversion of debentures.

In thousands of Canadian dollars, except for share data, unless otherwise noted

14. Share capital (continued)

(c) Share purchase warrants

The continuity of warrants for the nine months ended December 31, 2019 is as follows:

Expiry Date	Exercise Price	March 31, 2019	Issued	Exercised	Expired/ Cancelled	December 31, 2019
		#	#	#	#	#
May 21,2019	$2.80	937,500	-	-	**937,500**	-
June 11, 2019	$2.80	1,168,750	-	-	**1,168,750**	-
October 23, 2019	$2.00	732,900	**125,813**	-	**858,713**	-
March 16, 2020	$3.48	403,268	-	-	-	**403,268**
March 31, 2020	$3.48	433,526	-	-	-	**433,526**
April 2, 2020	$3.48	61,701	-	-	-	**61,701**
May 19, 2020	$2.00	539,000	-	-	-	**539,000**
September 25, 2020	$0.80	2,311,250	-	-	-	**2,311,250**
September 25, 2020	$1.40	265,625	-	-	-	**265,625**
January 31, 2020	$5.00	860,975	-	-	-	**860,975**
January 31, 2021	$11.60	10,937,263	-	-	-	**10,937,263**
August 2, 2021	$2.50	-	**11,500,000**	-	-	**11,500,000**
April 23, 2021	$1.25	-	**3,723,035**	-	-	**3,723,035**
October 30, 2021	$0.60	-	**1,807,500**	-	-	**1,807,500**
		18,651,758	**17,156,348**	-	**2,964,963**	**32,843,143**

The continuity of warrants for the year ended March 31, 2019 is as follows:

Expiry Date	Exercise Price	March 31, 2018	Issued	Exercised	Expired/ Cancelled	March 31, 2019
		#	#	#	#	#
May 21,2019	$2.80	-	937,500	-	-	937,500
June 11, 2019	$2.80	-	1,168,750	-	-	1,168,750
October 23, 2019	$2.00	-	732,900	-	-	732,900
March 16, 2020	$3.48	403,268	-	-	-	403,268
March 31, 2020	$3.48	433,526	-	-	-	433,526
April 2, 2020	$3.48	-	61,701	-	-	61,701
May 19, 2020	$2.00	-	539,000	-	-	539,000
September 25, 2020	$0.80	-	2,486,250	175,000	-	2,311,250
September 25, 2020	$1.40	-	265,625	-	-	265,625
January 31, 2020	$5.00	860,975	-	-	-	860,975
January 31, 2021	$11.60	10,937,263	-	-	-	10,937,263
		12,635,032	6,191,726	175,000	-	18,651,758

(d) Finders' warrants

The continuity of finders' warrants for the nine months ended December 31, 2019 is as follows:

Expiry Date	Exercise Price	March 31, 2019	**Issued**	**Exercised**	**Expired/ Cancelled**	**December 31, 2019**
		#	#	#	#	#
May 19, 2019	$3.48	24,382	-	-	**24,382**	-
June 2, 2019	$3.48	750	-	-	**750**	-
October 23, 2019	$2.00	60,270	-	-	**60,270**	-
		85,402	-	-	**85,402**	-

In thousands of Canadian dollars, except for share data, unless otherwise noted

14. Share capital (continued)

(d) Finders' warrants (continued)

The continuity of finders' warrants for the year ended March 31, 2019 is as follows:

Expiry Date	Exercise Price	March 31, 2018	Issued	Exercised	Expired/ Cancelled	March 31, 2019
		#	#	#	#	#
March 31, 2019	$3.48	86,097	-	-	86,097	-
May 19, 2019	$3.48	24,382	-	-	-	24,382
June 2, 2019	$3.48	-	750	-	-	750
October 23, 2019	$2.00	-	60,270	-	-	60,270
		110,479	61,020	-	86,097	85,402

(e) Stock options

Under the Company's Stock Option Plan, the maximum number of shares that may be reserved for issuance under the Company's Fixed Share Option Plan as of December 31, 2019 was 5,707,300 common shares (March 31, 2019 – 5,707,300). Under the Plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may be granted up to a maximum term of 5 years and vested at the discretion of the board of directors.

As at December 31, 2019, 5,571,050 options, with an average exercise price of $1.08 per share and an average remaining life of 1.22 years have vested.

Expiry Date	Exercise Price	March 31, 2019	**Granted**	**Exercised**	**Expired/ Cancelled**	**December 31, 2019**
		#	**#**	**#**	**#**	**#**
June 28, 2019	$4.08	50,000	**-**	**-**	**50,000**	**-**
March 6, 2019	$3.20	100,000	**-**	**-**	**100,000**	**-**
March 4, 2020	$2.84	150,000	**-**	**-**	**12,500**	**137,500**
October 4, 2020	$1.04	1,796,250	**-**	**-**	**200,000**	**1,596,250**
October 30, 2020	$1.16	25,000	**-**	**-**	**-**	**25,000**
January 8, 2021	$0.98	300,000	**-**	**-**	**-**	**300,000**
March 3, 2021	$1.08	3,169,800	**-**	**-**	**150,000**	**3,019,800**
June 21, 2021	$0.80	-	**300,000**	**-**	**-**	**300,000**
March 21, 2024	$0.96	62,500	**-**	**-**	**-**	**62,500**
April 1, 2024	$0.88	-	**18,750**	**-**	**-**	**18,750**
April 22, 2024	$0.88	-	**247,500**	**-**	**-**	**247,500**
		5,653,550	**566,250**	**-**	**512,500**	**5,707,300**

In thousands of Canadian dollars, except for share data, unless otherwise noted

14. Share capital (continued)

(e) Stock options (continued)

As at March 31, 2019, 5,653,550 options, with an average exercise price of $1.17 per share and an average remaining life of 1.72 years have vested.

Expiry Date	Exercise Price	March 31, 2018	Granted	Exercised	Expired/ Cancelled	March 31, 2019
		#	#	#	#	#
September 9, 2018	$1.60	137,500	-	100,000	37,500	-
November 8, 2018	$3.72	107,500	-	-	107,500	-
November 8, 2018	$4.00	50,000	-	-	50,000	-
June 28, 2019	$4.08	812,500	-	-	762,500	50,000
January 2, 2019	$4.12	550,000	-	-	550,000	-
January 23, 2019	$3.60	100,000	-	-	100,000	-
March 6, 2019	$3.20	100,000	-	-	-	100,000
March 8, 2019	$2.84	75,000	-	50,000	25,000	-
March 4, 2020	$2.84	350,000	-	-	200,000	150,000
April 6, 2019	$2.84	-	450,000	-	450,000	-
April 8, 2019	$2.76	-	225,000	36,232	188,768	-
May 1, 2019	$2.44	-	113,768	38,768	75,000	-
May 17, 2019	$2.40	-	894,605	-	894,605	-
June 21, 2019	$1.20	-	87,500	87,500	-	-
June 28, 2019	$1.04	-	162,500	162,500	-	-
October 4, 2020	$1.04	-	1,796,250	-	-	1,796,250
October 30, 2020	$1.16	-	25,000	-	-	25,000
January 8, 2021	$0.98	-	300,000	-	-	300,000
March 3, 2021	$1.08	-	3,169,800	-	-	3,169,800
March 21, 2024	$0.96	-	62,500	-	-	62,500
		2,282,500	7,286,923	475,000	3,440,873	5,653,550

During the three and nine months ended December 31, 2019, the Company recognized share-based compensation of $558 (2018 - $2,006) and $1,325 (2018 - $3,685), respectively for stock options granted and vested during the period.

The fair value of stock options at the date of grant was estimated at $0.48 per option (2018 - $0.13 per option) using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Risk-Free Annual Interest Rate	**1.48% - 1.66%**	2.09%
Expected Stock Price Volatility	**99% - 101%**	90%
Expected Life of Options and Warrants	**2.0 - 2.5 years**	0.80 years
Expected Annual Dividend Yield	**0%**	0%

(f) Restricted share units ("RSU")

On October 10, 2017, the Company adopted a RSU Plan as approved by the shareholders of the Company. The RSU Plan is designed to provide the Company with an additional tool to compensate directors, officers, consultants and other key employees of the Company. As of December 31, 2019, the maximum number of shares that may be reserved for issuance under the RSU plan was 5,707,300 (March 31, 2019 – 5,707,300) common shares. Under the plan, each vested RSU gives the eligible person the right to receive one common share of the Company.

In thousands of Canadian dollars, except for share data, unless otherwise noted

14. Share capital (continued)

(f) Restricted share units ("RSU") (continued)

The continuity of RSUs for the nine months ended December 31, 2019 is as follows:

Issuance date	March 31, 2019	**Issued**	**Redeemed**	**Cancelled**	**December 31, 2019**
April 22, 2019	-	**5,705,000**	**2,503,750**	**235,000**	**2,966,250**

The continuity of RSUs for the years ended March 31, 2019 is as follows:

Issuance date	March 31, 2018	Issued	Redeemed	Cancelled	March 31, 2019
July 19, 2018	-	25,000	25,000	-	-
October 4, 2018	-	13,624	13,624	-	-
March 3, 2019	-	3,346,250	-	3,346,250	-
	-	3,384,874	38,624	3,346,250	-

During the three and nine months ended December 31, 2019, the Company recognized share-based compensation of $689 (2018 - $Nil) and $4,136 (2018 - $Nil), respectively for 5,705,000 (2018 - Nil) RSUs granted and vested during the period. The weighted average fair value of RSUs granted during the nine months ended December 31, 2019 was $0.84 (2018 - $Nil) per share.

(g) Escrow shares

Pursuant to an escrow agreement dated August 2, 2019, 12,399,310 common shares of the Company were deposited into escrow in connection with the acquisition of ACC (Note 8(a)). 1,239,931 shares, being 10% of the escrowed shares were released from escrow on August 2, 2019, and approximately 15% will be released every six months thereafter over a period of 36 months.

15. General and administrative expenses

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Consulting fees	**118**	2,524	**691**	5,511
Shareholder and investor relations	**245**	(262)	**674**	1,072
Office and general	**697**	199	**1,354**	1,085
Professional fees	**263**	286	**448**	481
Management fees and wages	**650**	59	**1,342**	174
	1,973	2,806	**4,509**	8,323

In thousands of Canadian dollars, except for share data, unless otherwise noted

16. Finance and other costs

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Accretion expenses	**205**	73	**1,063**	198
Loan interests	**294**	100	**836**	160
Financing fee	**64**	-	**74**	-
Bank charges	**33**	6	**66**	24
	596	179	**2,039**	382

17. Related party transactions

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

(a) Related party balances

(i) Due from a related party

The following amounts due to and from companies controlled by a director and CEO of the Company are non-interest bearing, unsecured, and have no specific terms of repayment: (Note 8(a))

	December 31, 2019	March 31, 2019
	$	$
Due from a company controlled by a director and CEO	**1,686**	-
Due to companies controlled by a director and CEO	**(1,619)**	-
	67	-

(ii) Due to related parties

The following amounts due to related parties are non-interest bearing, unsecured, and have no specific terms of repayment:

	December 31, 2019	March 31, 2019
	$	$
Due to an officer and a director for management fees	**149**	16
Due to former directors and officers for fees pursuant to consulting agreements	**97**	8
Due to officers and a director for expense reimbursements	**111**	38

In thousands of Canadian dollars, except for share data, unless otherwise noted

17. Related party transactions (continued)

(b) Compensation of key management personnel

Key management personnel includes the Company's directors and officers. The compensation paid or accrued to directors, officers and former officers consisted of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Consulting fees to former directors and officers	**30**	-	**90**	-
Management fees	**174**	48	**491**	162
Share-based compensation [1]	**823**	-	**3,008**	387
	1,027	48	**3,589**	549

[1] An aggregate of 250,000 stock options (2018 - 1,700,000), 2,750,000 RSUs (2018 - Nil) and 2,500,000 retention bonus shares (2018 - Nil) were issued to directors and officers and former officers of the Company.

(c) Other related party transaction

ACC has a lease agreement with a company owned by the CEO and a director of the Company with respect to a production facility located in Nevada (Notes 8(a) and 18(a)(iii)). During the three and nine months ended December 31, 2019, the Company paid rent of $129 and $217 under this agreement.

18. Commitments and contingencies

(a) Office and operating leases

(i) MDHS entered into a commercial lease agreement for the lease of its dispensary operating premises for a monthly rent of US$5. The lease expires on December 8, 2020, with 3 additional 5-year term renewal options.

(ii) The Company entered into a lease agreement for rental of an office space in Kelowna, British Columbia for an annual rent payment of $23 in the first year and $25 in the second year. The lease expires on May 3, 2021.

(iii) ACC entered into a lease agreement dated February 1, 2018 for rental of a production facility located in Pahrump, Nevada for a monthly rent of US$30. The lease increases by 3% annually and expires on January 31, 2023. If ACC does not vacate the property on expiry of the lease, rent will be on a month to month basis and shall increase by 25%. (Note 17(c))

(b) Claims and litigations

A variety of claims have been made against the Company and ACC in a number of lawsuits. The Company accrues for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. The final outcome of certain of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to the Company's results of operations in a particular year. Any adjustments to the recorded liability will be recorded as expenses in the periods in which such adjustments are known.

18. Commitments and contingencies (continued)

(b) Claims and litigations (continued)

(i) Veritas vs. Citation

On February 28, 2019, a claim was commenced against the Company by Veritas to recover a loan in the principal amount of $1,000 plus interests. Veritas claims that the loan is in default and has made a demand for repayment of the loan and interests on or before January 21, 2019. MWA, MDHS, MLV were subsequently added as defendants to the lawsuit.

On April 12, 2019, the Company filed a counterclaim against Veritas alleging, among other things, that the Company and Veritas entered into a loan agreement which included repayment terms consisting of $100 and the assignment of the Company's ownership interest in the Property. (Note 8(c))

The Company intends to vigorously defend itself against the claim made by Veritas. As set out in the Company's response to civil claim, it believes that the allegations are without merit and that the loan agreement is in full force and effect.

(ii) Bart Street III vs. ACC, ACC Industries Inc. and Calvada Partners, LLC

A lawsuit has been filed against the Company in the U.S. District Court for the District of Nevada to recover matured loans pursuant to promissory notes in the aggregate principal amount plus interests of $7,124 (US$5,379). Note 12(b)

(iii) Hill Health, LLC, et al. vs. ACC et al

On July 26, 2017, a complaint was filed against ACC with the Eighth Judicial District Court in Clark County, Nevada regarding fraud, breaches of convertible notes, breaches of the covenant of good faith and fair dealing, successor liability, alter ego/reverse piercing, and declaratory relief against ACC. The parties arbitrated the matter and have settled the matter subject to final documentation of a settlement agreement. The settlement terms include a requirement that ACC distribute to the plaintiffs 5% of the cash distributions to the shareholders over a 5 year period. The entirety may be prepaid for $850 prior to the end of calendar year 2019. If, over the 5-year period, the total cash distributions do not meet or exceed $1,000, the Plaintiffs may file a confession of judgment against ACC for the difference between $1,000 and the total cash distributions received prior to the confession of judgment.

(iv) Global Green Enterprises, LLC, et al, vs. ACC, et al

On January 26, 2018, a complaint was filed against the Company in Clark County, Nevada regarding breach of contract, breach of the implied covenant of good faith and fair dealing, accounting, declaratory relief, fraudulent or intentional misrepresentation, interference with contractual relations, interference with prospective economic advantage, and civil conspiracy. The Company filed for motion to change venue or alternatively, motion to dismiss on March 21, 2018. On April 30, 2018, the Court granted the change of venue to the Fifth Judicial District Court, Nye County, Nevada.

In thousands of Canadian dollars, except for share data, unless otherwise noted

18. Commitments and contingencies (continued)

(c) Notice of default

The Company has been provided with a notice of default on the debt with NPI Debt Fund II secured by a deed of trust in the principal amount US$1.9 million and demand for payment of past due interests, fees and expenses of approximately US$459,000 on or before October 31, 2019 (the "Default Notice"). If the Company fails to remedy the Default Notice, it will be given a notice of foreclosure sale under the deed of trust. (Note 10(a)) The Company has not remedied the default as of the date of these Interim financial Statements.

(d) British Columbia Securities Commission ("BCSC") temporary order

On November 26, 2018, the Company was named a respondent in the notice of hearing and temporary order (the "Temporary Order") issued by the BCSC against certain Issuers (the "Issuers"), companies and individuals (the "Non-Issuer Respondents"). The notice of hearing alleged, among other things, that the Issuers issued free-trading securities through private placements to the Non-Issuer Respondents relying on the consultant exemption to the prospectus requirement under National Instrument 45-106 (the "Consultant Exemption"). The Non-Issuer Respondents claimed to be consultants under the Consultant Exemption and were paid consulting fees pursuant to consulting agreements executed with the Issuers, resulting in the Issuers paying most part of the private placement funds back to the Non-Issuers Respondents. The Temporary Order prohibited the Issuers from relying on the Consultant Exemption in connection with private placements with the Non-Issuer Respondents. The Temporary order was to expire on December 11, 2018, but the BCSC had an application to extend the Temporary Order pending a decision of the BCSC at a hearing on December 7, 2018. On January 15, 2019, the BCSC released its decision indicating that the Temporary Order has not been extended against the Company. (Note 14(b)(i))

19. Segmented information

The assets and operations of the Company are located in Canada and the United States.

	Canada	US	Total
	$	$	$
Nine months ended December 31, 2019			
Net revenue	**1**	**2,397**	**2,398**
Gross profit (loss)	**1**	**(34)**	**(33)**
Loss from operations	**(8,153)**	**(2,330)**	**(10,483)**
Net loss	**(8,450)**	**(3,070)**	**(11,520)**
Nine months ended December 31, 2018			
Net revenue	-	1,047	1,047
Gross profit	-	483	483
Loss from operations	(10,338)	(1,336)	(11,674)
Net loss	(12,642)	(1,163)	(13,805)

In thousands of Canadian dollars, except for share data, unless otherwise noted

19. Segmented information (continued)

	Canada	US	Total
	$	$	$
As at December 31, 2019			
Current assets	**843**	**13,076**	**13,919**
Total assets	**24,801**	**47,710**	**72,511**
Total liabilities	**10,957**	**14,449**	**25,406**
As at March 31, 2019			
Current assets	925	10,844	11,769
Total assets	24,963	23,783	48,746
Total liabilities	9,173	2,983	12,156

20. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments are measured at amortized cost or fair value. Financial instruments include cash, accounts receivable, due from a related party, accounts payables and accrued liabilities, loans and borrowings, convertible debentures and derivative liabilities. The carrying values of cash, accounts receivable, due from a related party, accounts payables and accrued liabilities, loans and convertible debentures approximate their fair values due to their short-term nature. The fair values of derivative asset and derivative liability are determined using the Black-Scholes option pricing model. During the year, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

The following table summarizes the Company's financial instruments as at December 31, 2019:

	FVTPL	Amortized cost	Total	Fair value hierarchy
	$	$	$	
Financial assets				
Cash	**362**	**-**	**362**	**Level 1**
Accounts receivable	**-**	**1,968**	**1,968**	**Level 2**
Due from a related party	**-**	**67**	**67**	**Level 2**
Financial liabilities				
Accounts payable and accrued liabilities	**-**	**5,500**	**5,500**	**N/A**
Income tax payable	**-**	**106**	**106**	**N/A**
Loans and borrowings	**-**	**11,268**	**11,268**	**Level 2**
Convertible debentures (1)	**-**	**3,774**	**3,774**	**Level 2**
Derivative liabilities (1)	**299**	**-**	**299**	**Level 2**

(1) The fair value of convertible debentures includes the financial liability and derivative liability.

In thousands of Canadian dollars, except for share data, unless otherwise noted

21. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are described below.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet its working capital and other operating requirements, fund capital expenditures, settle liabilities and meet its scheduled debt repayments. As of December 31, 2019, the Company had working capital deficiency of $10,137 (March 31, 2019 - working capital deficiency of $387). There can be no assurance that the Company will be able to secure debt and/or equity financing for working capital and be successful in generating and maintaining profitable operations.

The Company has the following gross contractual obligations:

	Total	< 1 year	1 – 3 years	3 – 5 years
	$	$	$	$
Accounts payable and accrued liabilities	**5,500**	**5,500**	-	-
Income tax payable	**106**	**106**	-	-
Loans and borrowings	**11,268**	**11,268**	-	-
Lease liabilities	**1,481**	**481**	**1,000**	
Convertible debentures	**3,774**	**3,424**	**350**	-
Liabilities associated with assets held for sale	**2,978**	**2,978**	-	-
	25,107	**23,757**	**1,350**	-

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has operations in Canada and the United States and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian against the United States dollar. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

As at December 31, 2019, the Company has determined that a 10% change in US dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately $1,032 for the nine months ended December 31, 2019 (March 31, 2019 - $169) to net loss and comprehensive loss.

(c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans and borrowings and convertible bonds payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

In thousands of Canadian dollars, except for share data, unless otherwise noted

21. Financial risk management (continued)

(d) Credit risk

Financial instruments that subject the Company to credit risk primarily consist of accounts receivable. The Company maintains an allowance for estimated credit losses using an expected credit loss provision for accounts receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Company's historical credit losses experienced over previous periods.

The Company sells its product in Nevada but its credit risk is not concentrated to any particular customer. The Company mitigates the risk by reviewing accounts receivable past due on an ongoing basis and by managing and monitoring the relationships with its customers. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

As at December 31, 2019, the Company's aging of receivables was as follows:

	December 31, 2019	March 31, 2019
	$	$
0 – 30 days	**367**	258
31 – 60 days	**127**	-
61 – 90 days	**15**	-
91 days and over	**5,571**	-
Gross accounts receivable	**6,080**	-
Provision for doubtful accounts	**(4,112)**	-
	1,968	258

22. Capital management

The Company manages its share capital as capital, which as at December 31, 2019, was $106,067. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company does not pay out dividends in order to conserve cash reserves and to maximize ongoing development efforts. The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

23. Subsequent events

Subsequent to December 31, 2019, 1,306,250 common shares were issued to employees, consultants and directors of the Company on redemption of vested RSUs.