Consolidated financial statements

MPX International Corporation

September 30, 2019

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Independent auditor's report

To the Shareholders of MPX International Corporation

Opinion

We have audited the consolidated financial statements of MPX International Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at September 30, 2019, and September 30, 2018 and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Canada
January 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

Contents

MPX International Corporation
Consolidated statements of financial position
(in Canadian dollars)

As at September 30,	2019	2018 [1]
Assets		
Current		
Cash	**$ 16,356,889**	$ 164,579
Accounts receivable (Note 6)	**1,079,554**	331,214
Inventory (Note 7)	**2,561,127**	66,286
Biological assets (Note 8)	**6,404,755**	40,552
Prepaid expenses	**359,300**	43,771
Deposits (Note 4)	**622,206**	-
Due from related parties (Note 20)	**413,838**	-
Total current assets	**27,797,669**	646,402
Non-current		
Restricted cash	**112,190**	-
Property, plant and equipment (Note 9)	**4,303,932**	3,275,360
Intangible assets (Note 10)	**26,162,000**	23,066,749
Goodwill (Note 11)	**18,270,892**	-
Equity accounted investees (Note 12)	**278,937**	96,340
Deposits (Note 4)	**302,619**	131,383
Total non-current assets	**49,430,570**	26,569,832
Total assets	**$ 77,228,239**	$ 27,216,234
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 13)	**$ 3,224,783**	$ 147,162
Short-term loans (Notes 4 and 5)	**1,044,373**	-
Contingent consideration payable (Note 14)	**985,436**	-
Total current liabilities	**5,254,592**	147,162
Non-current		
Lease inducement	**868,518**	953,519
Contingent consideration payable (Note 14)	**935,164**	-
Other non-current liabilities	**97,425**	-
Deferred tax liabilities (Note 19)	**735,333**	-
Total non-current liabilities	**2,636,440**	953,519
Total liabilities	**7,891,032**	1,100,681
Equity		
Owner's net investment	**-**	26,115,553
Share capital (Note 15)	**63,604,342**	-
Warrants (Note 17)	**11,434,727**	-
Contributed surplus	**1,278,436**	-
Accumulated other comprehensive loss	**(66,918)**	-
Deficit	**(6,798,266)**	-
Equity attributable to shareholders of the Corporation	**69,452,321**	26,115,553
Non-controlling interests	**(115,114)**	-
Total equity	**69,337,207**	26,115,553
Total liabilities and equity	**$ 77,228,239**	$ 27,216,234

Commitments and contingencies (Notes 14 and 21)
Subsequent events (Notes 17 and 25)
On Behalf of the Board:

Signed "W. Scott Boyes" Director   Signed "Randall G. Stafford" Director

[1] The consolidated statement of financial position as at September 30, 2018 has been prepared on a combined carve-out basis (refer to Notes 2 and 3)

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of changes in equity
(in Canadian dollars)
Year ended September 30, 2019

	Share capital	Owner's net investment	Warrants	Contributed surplus	Accumulated other comprehensive income	Non controlling interest	Deficit	Total
Balance, October 1, 2017	$ -	$ (804,768)	$ -	$ -	$ -	$ -	$ -	$ (804,768)
Adjustment to owner's net investment	-	29,025,518	-	-	-	-	-	29,025,518
Net loss and comprehensive loss for the year	-	(2,105,197)	-	-	-	-	-	(2,105,197)
Balance, September 30, 2018	$ -	$ 26,115,553	$ -	$ -	$ -	$ -	$ -	$ 26,115,553
Balance, October 1, 2018	$ -	$ 26,115,553	$ -	$ -	$ -	-	$ -	$ 26,115,553
Private placement	15,628,060	-	11,277,103	-	-	-	-	26,905,163
Share issuance costs	(533,752)	-	-	-	-	-	-	(533,752)
Acquisitions	15,613,780	-	76,432	-	-	-	-	15,690,212
Investment in Kaajenga	113,971	-	70,274	-	-	-	-	184,245
Settlement of contingent consideration	198,413	-	10,918	-	-	-	-	209,331
Consulting fees	662,650	-	-	192,518	-	-	-	855,168
Share-based compensation	-	229,074	-	1,085,918	-	-	-	1,314,992
Contributions and net change in investment	-	8,041,619	-	-	-	-	-	8,041,619
Transfer to MPXI share capital	31,921,220	(31,921,220)	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	(2,465,026)	-	-	(66,918)	(115,114)	(6,798,266)	(9,445,324)
Balance, September 30, 2019	$ 63,604,342	$ -	$ 11,434,727	$ 1,278,436	$ (66,918)	(115,114)	$ (6,798,266)	$ 69,337,207

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of net loss and comprehensive loss

(in Canadian dollars)

Year ended September 30,	**2019**	2018 [1]
Gross revenue	**$ 1,666,153**	$ 64,451
Excise taxes	**(74,623)**	-
Net revenue	**1,591,530**	64,451
Cost of sales (Note 7)	**291,535**	34,487
Gross profit before unrealized gain from changes in fair value of biological assets	**1,299,995**	29,964
Unrealized gain from changes in fair value of biological assets (Note 8)	**5,150,607**	11,277
Gross profit	**6,450,602**	41,241
Operating expenses		
General and administrative (Note 18)	**8,656,714**	958,818
Professional fees	**2,532,655**	103,658
Share-based compensation (Note 16)	**1,314,992**	466,296
Amortization and depreciation (Notes 9 and 10)	**2,839,984**	597,318
Total operating expenses	**15,344,345**	2,126,090
Loss from operations	**(8,893,743)**	(2,084,849)
Other expenses (income)		
Foreign exchange	**344,066**	(23,471)
Interest income	**(26,741)**	-
Share of loss of equity accounted investees (Note 12)	**128,429**	43,630
Accretion expense (Note 14)	**257,286**	-
Changes in fair value of contingent consideration payable (Note 14)	**(1,646,649)**	-
Interest and financing charges	**46,597**	189
Loss on disposal of property, plant and equipment	**71,083**	-
Bad debt expense	**36,983**	-
Write-down of inventory (Note 7)	**131,219**	-
Transaction costs (Note 5)	**884,390**	-
Total other expenses (income)	**226,663**	20,348
Net loss before income taxes	**$ (9,120,406)**	$ (2,105,197)
Income tax expense (Note 19)	**258,000**	-
Net loss	**$ (9,378,406)**	$ (2,105,197)
Other comprehensive loss that may be reclassified to net profit or loss		
Exchange differences on translation of foreign operations	**$ (66,918)**	$ -
Total comprehensive loss for the year	**$ (9,445,324)**	$ (2,105,197)
Total comprehensive income attributable to:		
Owners of the Corporation	**$ (9,330,210)**	$ (2,105,197)
Non-controlling interests	**(115,114)**	-
Loss per share, basic and diluted	**$ (0.13)**	$ -
Basic and diluted weighted average number of shares outstanding	**71,690,606**	-

[1] The consolidated statement of net loss and comprehensive loss for the year ended September 30, 2018 has been prepared on a combined carve-out basis (refer to Notes 2 and 3)

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of cash flows

(in Canadian dollars)

Year ended September 30,	2019	2018 [1]
Operating activities		
Net loss	**$ (9,378,406)**	$ (2,105,197)
Items not affecting cash:		
Amortization and depreciation	**2,839,984**	597,318
Share-based compensation	**1,314,992**	466,296
Accretion expense	**257,286**	-
Interest and financing charges	**42,713**	189
Change in fair value of contingent consideration payable	**(1,646,649)**	-
Share of loss of joint venture	**128,429**	43,630
Deferred income tax expense	**258,000**	-
Consulting fees settled via equity instruments	**855,168**	-
Loss on disposal of property, plant and equipment	**71,083**	-
change in other non-current liabilities	**26,073**	-
Unrealized foreign exchange loss (gain)	**89,068**	(23,471)
Unrealized gain from changes in fair value of biological assets	**(5,150,607)**	(11,277)
	(10,292,866)	(1,032,512)
Changes in non-cash working capital:		
Accounts receivable	**(708,665)**	(180,487)
Inventory and biological assets	**(2,125,381)**	(36,494)
Prepaid expenses and deposits	**(1,048,551)**	(57,870)
Accounts payable and accrued liabilities	**2,678,227**	80,913
Lease inducement	**(85,001)**	(100,362)
	(1,289,371)	(294,300)
Net cash used in operating activities	**(11,582,237)**	(1,326,812)
Investing activities		
Cash acquired through the acquisition of subsidiaries	**195,016**	-
Investment in joint venture	**(125,000)**	(140,340)
Purchase of property, plant and equipment	**(1,248,128)**	(937,722)
Purchase of intangible assets	**(2,224,800)**	(2,737,392)
Restricted cash	**(112,190)**	-
Net cash used in investing activities	**(3,515,102)**	(3,815,454)
Financing activities		
Funds received pursuant to the Arrangement	**5,239,591**	-
Contributions and change in owner's net investment	**1,658,698**	5,264,369
Financing provided to acquisition targets	**(1,273,982)**	-
Due from/to related parties	**(413,838)**	-
Proceeds from private placement	**26,905,163**	-
Share issuance costs on private placement	**(533,752)**	-
Repayment of term loan	**(321,840)**	-
Interest paid	**(10,054)**	-
Net cash provided by financing activities	**31,249,986**	5,264,369
Increase in cash	**16,152,647**	122,103
Cash, beginning of year	**164,579**	42,476
Effect of exchange rate fluctuations on cash held	**39,663**	-
Cash, end of year	**$ 16,356,889**	$ 164,579

[1] The consolidated statement of cash flows for the year ended September 30, 2018 has been prepared on a combined carve-out basis (refer to Notes 2 and 3)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Background

2660528 Ontario Inc. was incorporated on October 17, 2018 and changed its name to MPX International Corporation on November 13, 2018.

On February 5, 2019, MPX International Corporation ("MPXI" or the "Corporation"), MPX Bioceutical Corporation ("MPX"), and iAnthus Capital Holdings Inc. ("iAnthus") closed a plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia), pursuant to which iAnthus acquired all of the issued and outstanding common shares of MPX (the "MPX Shares") pursuant to the terms of an arrangement agreement, as amended, among, inter alia, iAnthus and MPX dated October 18, 2018 (the "Arrangement Agreement"). Pursuant to the terms of the Arrangement Agreement, holders of MPX Shares received 0.1673 common shares of iAnthus and 0.1 common shares of MPXI for each MPX Share held. Holders of MPX warrants and stock options received replacement warrants and replacement stock options in iAnthus and MPXI, respectively, on the basis of 0.1673 common shares of iAnthus and 0.1 common shares of MPXI for each MPX Share. MPXI issued a total of 45,304,966 common shares, 5,701,507 warrants and 2,432,826 stock options in connection to the Arrangement. See Notes 15, 16 and 17 for the impact of the Arrangement on share capital, warrants and stock options, respectively. Pursuant to the Arrangement, MPXI received cash of US $4,000,000, assets relating to MPX's corporate office as well as MPX's interests in the following entities.

- MPX Australia Pty Ltd.
- Salus BioPharma Corporation
- Biocannabis Products Ltd.
- Canveda Inc. (formerly 8423695 Canada Inc.)
- Spartan Wellness Corporation
- The CinG-X Corporation

MPXI recorded $515,462 of transaction costs relating to the Arrangement in the consolidated statements of net loss and comprehensive loss.

The Corporation's common shares (the "MPXI Shares") commenced trading on the Canadian Securities Exchange under the ticker symbol 'MPXI' on February 6, 2019.

Description of the business

MPXI is a multinational diversified cannabis company focused on developing and operating assets across the global medical and adult use cannabis industry with an emphasis on cultivating, manufacturing and marketing products that include cannabinoids as their primary active ingredient. MPXI's registered office is located at 5255 Yonge Street, Suite 701, Toronto, ON, M2N 6P4, Canada.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on January 28, 2020.

2. Basis of preparation (continued)

Basis of measurement and impact of the Arrangement

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets, derivatives and contingent consideration measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Transactions occurring prior to the Arrangement on February 5, 2019 were derived from the accounting records of MPX and have been prepared on a combined carve-out basis. The financial information up to February 5, 2019 is intended to be representative of the entities had MPXI been operating them as a stand-alone entity, subject to MPX's control, during this time. The financial information prior to February 5, 2019 has been prepared by MPXI's management in accordance with IFRS and requires the use of significant judgments made in allocating reported amounts related to MPX (see Note 3(m)). In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the consolidated statements of financial position and the consolidated statements of net loss and comprehensive loss in accordance with IFRS. However, they may not reflect MPXI's financial position or results of operations had the Corporation been operating in its current structure for the reporting periods presented in these consolidated financial statements, during which time it was a subsidiary of MPX. References to the Corporation before February 5, 2019 should be inferred to be MPXI.

Presentation of the consolidated statements of financial position

The transfer of assets and liabilities from MPX to MPXI was recorded by the Corporation at the carrying amounts recorded in MPX's consolidated statement of financial position at the time of the transfer.

Presentation of the consolidated statements of net loss and comprehensive loss

All revenue and operating expenses on the consolidated statements of net loss and comprehensive loss are directly attributable to MPXI. General and administrative expenses recorded prior to the Arrangement have been determined based on actual MPX expenses. Share-based compensation recorded by MPX up to the Arrangement date has been allocated to MPXI based on the percentage of the direct time charged to MPXI. From the Arrangement date to September 30, 2019 amounts recorded for expenses are based on amounts incurred by MPXI. See Note 18 for details of expenses by nature.

Presentation of the consolidated statements of changes in equity

For reporting periods prior to the Arrangement, MPX's direct ownership of the net assets is shown as a net investment because share capital did not exist. MPX's net investment includes the accumulated net loss and net cash investments, including any foreign exchange translation effect of the foreign operations. At the close of the Arrangement, the carrying amount of the net investment of $31,921,220 was transferred to the share capital of MPXI.

Functional and presentation currency

The functional and presentation currency of the Corporation is the Canadian dollar. The functional currencies of the subsidiaries are outlined below.

All figures are presented in Canadian dollars, unless otherwise noted.

(in Canadian dollars)

2. Basis of preparation (continued)

Basis of consolidation

Subsidiaries are entities controlled by the Corporation. The Corporation 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

These consolidated financial statements include the accounts of the Corporation and the following entities which are material subsidiaries of the Corporation:

Entity	Place of incorporation	Functional currency	Effective ownership and Accounting Treatment per September 30, 2019	Effective ownership and Accounting Treatment per September 30, 2018
Canveda Inc. (formerly 8423695 Canada Inc.) ("Canveda")	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
The CinG-X Corporation ("CinG-X")	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
Salus Biopharma Corporation ("Salus Biopharma")	Nevada, USA	USD	Consolidation (100%)	Combination (100%)
Biocannabis Products Ltd. ("Biocannabis")	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
Spartan Wellness Corporation ("Spartan")	Ontario, Canada	CAD	Consolidation (100%)	N/A
MPX Australia Pty Ltd. ("MPX Australia")	Australia	AUD	Consolidation (100%)	Equity method (50%)
HolyWorld, SA ("HolyWeed")	Switzerland	CHF	Consolidation (100%)	N/A
MPXI Malta Operations Limited ("MPX Malta")	Malta	EUR	Consolidation (80%)	N/A
MPXI Malta Property Limited ("MPX Malta Property")	Malta	EUR	Consolidation (80% (a))	N/A
Alphafarma Operations Ltd. ("Alphafarma")	Malta	EUR	Consolidation (80% (a))	N/A

(a) MPXI Malta owns 100% of the shares of MPXI Malta Property, which owns 100% of the shares of Alphafarma. As MPXI owns 80% of the shares of MPX Malta, the effective ownership in MPXI Malta Property and Alphafarma is 80%.

All inter-company transactions and balances with subsidiaries have been eliminated.

Business combinations

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. Goodwill represents the excess of the consideration transferred for the acquisition of an entity over the fair value of the net identifiable assets and liabilities of that acquired business. The Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit. The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

2. Basis of preparation (continued)

Basis of consolidation (continued)

Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration payable are recognized in profit or loss.

Asset acquisitions

If an entity acquires an asset or a group of assets (including any liabilities assumed) that does not constitute a business, then the transaction is outside the scope of IFRS 3. The Corporation accounts for such transactions as asset acquisitions in which the cost of acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition. The Corporation includes the value of previously held equity interest in an asset acquisition at a carry-over basis. Further, any contingent consideration is treated as an executory payment, is excluded from the initial measurement of the asset acquisition, and is recorded in future periods if and when the contingent payments are made.

3. Significant accounting policies

(a) Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit and loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Corporation’s consolidated financial statements, all assets, liabilities and transactions of entities with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation. On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are recognized in other comprehensive income and accumulated in other comprehensive income in the consolidated statements of changes in equity.

(b) Cash

Cash includes cash on hand and balances with banks and on demand deposits.

(c) Biological assets

The Corporation’s biological assets consist of cannabis plants (including clones). The Corporation capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, seeds, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Corporation then measures biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Cost to sell includes post-harvest production, shipping and fulfillment costs. The (unrealized) gains or losses arising from changes in fair value less cost to sell during the year, including the impact on the carrying amount of inventory, are included in the consolidated statements of net loss and comprehensive loss of the related period.

3. Significant accounting policies (continued)

(d) Inventory

Inventories of seeds, harvested finished goods, and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell up to the point of harvest, which becomes the initial deemed cost. All subsequent direct and indirect post-harvest costs are capitalized to inventory as incurred, including direct product costs, direct labour, and an allocation of significant variable and fixed manufacturing overhead. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value.

(e) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation commences when the asset is available for use and is charged to the consolidated statements of net loss on a straight-line basis over the useful life of the asset as outlined below:

Equipment	3 – 7 years
Furniture and fixtures	7 years
Leasehold improvements	lesser of lease term and useful life
Vehicle	5 years

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in the consolidated statements of net loss.

(f) Intangible assets

The Corporation's intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over the following periods:

Cultivation license under the Cannabis Act (Health Canada)	lease term
Customer list	11 years
Trademarks	10 years
Lease contract for GMP-ready facility	5 years

The estimated useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate.

(g) Impairment of non-financial assets

Non-financial assets include property, plant and equipment, intangible assets and goodwill. The Corporation's intangible assets and property, plant and equipment are tested for impairment when there are indicators of impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Goodwill is tested for impairment annually (in the fourth quarter of the fiscal year) or at any time if an indicator of impairment exists.

If indication of impairment exists, the asset's recoverable amount is estimated. If the individual asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3. Significant accounting policies (continued)

(g) Impairment of non-financial assets (continued)

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of net loss.

An impairment loss, other than goodwill impairment, is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(h) Leases

The Corporation leases some items of property, plant and equipment. Leases that do not transfer to the Corporation substantially all the benefits and risks incidental to ownership of the asset are accounted for as operating leases. These operating leases are not recognized in the Corporation's statement of financial position. Operating lease payments are recognized in the consolidated statements of net loss on a straight-line basis over the lease term.

Lease inducements are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

(i) Investments accounted for using the equity method

Investments accounted for using the equity method include investments in associates, which are entities over which the Corporation exercises significant influence, and joint arrangements representing joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Corporation accounts for its investments in associates and joint ventures using the equity method of accounting. Under the equity method, the initial investment in the associate or joint venture is recognized at cost and adjusted thereafter to recognize the Corporation's proportionate share of the investee's profit (loss) and other comprehensive income (loss). The carrying value is assessed for impairment at each statement of financial position date.

(j) Share-based compensation

For equity-settled share-based payment transactions granted to non-employees, the Corporation measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Corporation measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is remeasured at each reporting date until counterparty performance is complete. Any changes are recognized in the consolidated statements of net loss.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees and other parties providing similar services is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the share-based payments granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share-based payments were granted.

3. Significant accounting policies (continued)

(k) Loss per share

Basic loss per share ("EPS") is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except the if-converted method is used in assessing the dilution impact of convertible notes. The treasury method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Corporation at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining diluted EPS if they are in-the-money except where such conversion would be antidilutive.

(l) Income taxes

Income tax on the consolidated statements of net loss for the periods presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(m) Critical accounting judgements

The following are the critical judgments, apart from those involving estimations (refer to (n) below), that have the most significant effect on the amounts recognized in the consolidated financial statements.

Financial information prior to February 5, 2019

Significant judgment and estimates were used in preparing the financial information prior to February 5, 2019. The information was derived from the accounting records of MPX and have been prepared on a combined carve-out basis. Management evaluated each of the accounts of MPX and carved-out, on a reasonable basis, the balances and activity of MPXI's operations. The historical costs and expenses reflected in MPXI's financial statements include an allocation for certain corporate and shared service functions historically provided by MPX, including, but not limited to, executive oversight, accounting, tax, legal, human resources, and other shared services. These expenses have been allocated to MPXI on the basis of direct usage when identifiable, with the remainder allocated on a pro-rata basis of total expenses of MPX and other measures considered to be a reasonable reflection of the historical utilization levels of these services. Salaries, benefits and incentive compensation have been reflected in this period based on employee services that were specifically identifiable with MPXI, as well as management's best estimate to allocate shared employee costs. Taxes have been recorded as if MPXI had been a separate tax paying legal entity, filing a separate tax return in the jurisdictions that it currently operates in. The calculation of income taxes is based on a number of assumptions, allocations and estimates, including those used to prepare these consolidated financial statements.

3. Significant accounting policies (continued)

(m) Critical accounting judgements (continued)

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration payable are recognised in net income (loss). Information about these judgments is included in Note 5.

Judgement is also required to assess whether the amounts paid on the achievement of milestones represents contingent consideration or compensation for post-acquisition services, and whether contingent consideration should be classified as equity or a liability. Information about these judgments is included in Note 5.

Control, joint control or significant influence

When determining the appropriate basis of accounting for the Corporation's interests in Kaajenga (Note 12), the Corporation makes judgments about the degree of influence that it exerts over the investees' relevant activities to determine whether the Corporation has control, joint control or significant influence. MPXI has an interest of 20% in Kaajenga and a call option to purchase the remaining 80% interest. MPXI considers that this call option does not provide the Corporation with control over Kaajenga, because of the operational barriers to exercise the call option. Instead, MPXI is considered to have significant influence over Kaajenga.

(n) Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Valuation of biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The Corporation uses observable market data where available. In locations where there are no active markets for cannabis plants at the point of harvest, the valuation is determined using a valuation technique that uses inputs that are based on unobservable market data (Level 3). Refer to Note 8 for further information. In calculating final inventory values (Note 7), management compares the inventory cost to estimated net realizable value. In calculating the net realizable value, management is required to make a number of estimates to determine the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Estimated useful lives and depreciation of property, plant and equipment and intangible assets

Depreciation of property, plant and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. Information about these estimates is included in Note 9.

3. Significant accounting policies (continued)

(n) Critical accounting estimates

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Corporation's stock price and the risk-free interest rate are used. To calculate the share-based compensation expense related to employee performance milestones associated with the terms of an acquisition, the Corporation must estimate the number of shares that will be earned and when they will be exercised based on estimated discounted probabilities. Information about these estimates is included in Note 16.

Business combinations

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Corporation may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples. Information about these estimates is included in Note 5.

Fair value measurements

Certain of the Corporation's (financial) assets and liabilities are measured at fair value. In estimating fair value, the Corporation uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Corporation will engage third party qualified valuators to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of biological assets is disclosed in Note 8, the acquired intangible assets in Note 10 and financial instruments in Notes 4 and 23.

4. Changes in significant accounting policies

MPXI has applied the following new or amended IFRS standards, applicable for annual periods beginning on or after October 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 was issued to replace IAS 39 *Financial Instruments: Recognition and Measurement*. Under IFRS 9 a single approach is used to determine whether a financial asset is measured at amortized cost or fair value. The classification is based on two criteria: the Corporation's business model for managing the assets and a test whether the financial instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding, i.e. the SPPI test. Financial assets are required to be reclassified only when the business model under which they are managed has changed. The classification of financial liabilities is similar compared to the classification under IAS 39.

The assessment of the Corporation's business models for managing its financial assets was made as of the date of initial application of October 1, 2018 or on initial recognition. The assessment of whether contractual cash flows on debt investments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets.

<u>Financial assets</u>

All financial assets (including assets designated at fair value through profit or loss ("FVTPL")) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

4. Changes in significant accounting policies (continued)

IFRS 9 – Financial Instruments (continued)

Financial liabilities

All financial liabilities (including liabilities designated at FVTPL) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The subsequent measurement of financial assets and liabilities is determined based on their classification as follows:

a) Financial assets
   (i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost.
   (ii) Fair value through other comprehensive income (“FVOCI”) – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI.
   (iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

b) Financial liabilities
   (i) FVTPL – Derivative financial instruments entered into by the Corporation are classified as FVTPL.
   (ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method.

Classification of financial instruments

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Corporation’s financial assets and financial liabilities:

Financial assets	**IAS 39 classification**	**IFRS 9 classification**
Cash (including restricted cash)	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Deposits (a)	Loans and receivables	Amortized cost
Derivatives (b)	-	FVTPL

Financial liabilities	**IAS 39 classification**	**IFRS 9 classification**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Short-term loans (c)	-	Amortized cost
Contingent consideration payable	-	FVTPL
Derivatives (b)	-	FVTPL

(a) Deposits relate to security deposits on leases and equipment.

(b) Derivatives relate to the buy/sell agreements from the investment in Kaajenga. Refer to Note 12 for additional information in relation to the investment in Kaajenga and to Note 23 for additional information in relation to the fair value of the derivatives.

4. Changes in significant accounting policies (continued)

IFRS 9 – Financial Instruments (continued)

Classification of financial instruments (continued)

(c) Short-term loans amounting to $1,044,373 relate to loans that were issued by HolyWeed in 2017 and were acquired as part of the acquisition of HolyWeed. The loans have a maturity date of December 31, 2019 at which the loans were settled. The loans bear an interest of 12% per year and is subject to a premium (Refer to Note 23). The loans are measured at amortized cost.

During the fiscal year ended September 30, 2019, HolyWeed repaid $321,840 of principal and accrued interest of short-term loans.

Impairment of financial assets

IFRS 9 introduces an 'expected credit loss' model for the impairment of financial assets. The Corporation has applied the simplified approach under IFRS 9 and has calculated expected credit losses based on lifetime expected credit losses. The measurement of MPXI's financial assets will not significantly change on transition to IFRS 9 as MPXI is exposed to an insignificant incremental amount of expected credit losses as compared to the amount of incurred losses under IAS 39.

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been affected.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Adoption

MPXI has adopted the amendments to IFRS 9 in its consolidated financial statements for the period beginning on October 1, 2018 with no resulting adjustments.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 replaces all of the revenue recognition guidance in IFRS, including IAS 18 *Revenue*. The Corporation has applied IFRS 15 retrospectively.

The Corporation's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

(in Canadian dollars)

4. Changes in significant accounting policies (continued)

IFRS 15 – Revenue from Contracts with Customers (continued)

Revenue from the sale of cannabis is recognized when the Corporation has transferred control of the good to the customer. MPXI considers that control is transferred at point of delivery which is consistent with MPXI's revenue recognition policy under IAS 18. Revenue includes excise taxes, which the Corporation pays as principal, but excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Corporation expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowance for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

Net revenue is revenue less excise taxes. Excise taxes are effectively a production tax which becomes payable when the product is removed from the Corporation's premises and may or may not be directly related to the value of revenue depending on the jurisdiction of sale. It is generally not included as a separate item on external invoices; increases in excise tax are not always passed on to the customer and where a customer fails to pay for product received the Corporation cannot reclaim the excise tax. The Corporation therefore recognizes excise tax, unless it regards itself as an agent of the regulatory authorities, as a cost to the Corporation.

Revenue from referring customers to certain Licensed Producers (i.e. the "Suppliers") is recognized at the time the patient obtains cannabis from the Suppliers. The Corporation recognized revenue in an amount that reflects the consideration that the Corporation expects to be entitled to taking into account any variation that may result from future trailing commissions. As the Corporation does not have past experience, such that it is highly probable that a significant reversal of revenue will not occur on resolution of the uncertainty, these amounts are only recognized when the trailing commissions are confirmed by the Suppliers. As revenue was previously recognized when the trailing commissions were confirmed by the Suppliers, this is consistent with MPXI's revenue recognition policy under IAS 18.

As the pattern and timing of revenue recognition under IFRS 15 is consistent with its previous revenue recognition policy under IAS 18, the Corporation determined that there is no change in the comparative periods or transitional adjustments required as a result of the adoption of this standard.

Disaggregation of revenues

Revenue from external customers for products and services

	Year Ended	
	September 30, 2019	September 30, 2018
Sale of goods	**$ 472,751**	$ 64,451
Referral revenues	**1,118,779**	-
	$ 1,591,530	$ 64,451

Revenue from external customers by geographic areas

	Year Ended	
	September 30, 2019	September 30, 2018
Canada	**$ 1,515,468**	$ 64,451
Switzerland	**150,685**	-
Gross revenue	**1,666,153**	64,451
Excise taxes - Switzerland	**(74,623)**	-
Net revenue	**$ 1,591,530**	$ 64,451

4. Changes in significant accounting policies (continued)

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. IFRS 16 will be effective for the Corporation's fiscal period beginning on October 1, 2019. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. MPXI is continuing to assess the impact of IFRS 16 on its consolidated statements of financial position and net loss.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of recognition and measurement requirements in IAS 12 *Income taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Corporation's fiscal year beginning on October 1, 2019, with earlier application permitted. The Corporation will adopt this interpretation as of its effective date. MPXI is continuing to assess the impact of IFRIC 23 on its consolidated statements of financial position and net loss.

Amendment to IFRS 3 – Business combinations

In October 2018, the IASB issued *Definition of a Business* (Amendments to IFRS 3). The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments provide an assessment framework to determine when a series of integrated activities is not a business. The amendments will be effective for the Corporation's business combinations and asset acquisitions occurring on or after the Corporation's fiscal year beginning on October 1, 2020.

5. Acquisitions

(a) Business combinations completed in the year ended September 30, 2019

Acquisition of Spartan

On October 22, 2018, the Corporation completed the acquisition of 100% of the issued and outstanding shares of Spartan (the "Spartan Acquisition"). Spartan is a Canadian organization whose mission is to help veterans suffering from various ailments, mostly psychological, to reduce or eliminate dependencies on opioids by directing them towards medical cannabis. MPX plans to utilize Spartan as an additional sales channel to ensure continued growth in its patient user base and expects that Spartan will convert much of its pre-existing patient base over to its MPX/Salus Medical products. In addition to this valuable patient network, the acquisition of Spartan is expected to immediately contribute to revenue growth at the Corporation as Spartan receives sales commission from the licensed producers that supply its patients with cannabis.

The purchase price is satisfied through the issuance of 4,687,500 MPX Shares and 1,304,348 MPX common share purchase warrants ("Warrants") each exercisable into one MPX Share at an exercise price of $1.15 for a period of three years from the closing date. Part of these MPX Shares and MPX Warrants are to be issued contingent upon the achievement of certain cumulative milestones related to the sale of cannabis:

(in Canadian dollars)

5. Acquisitions (continued)

(a) Business combinations completed in the year ended September 30, 2019 (continued)

Acquisition of Spartan (continued)

1) The total aggregate sales attributable to Spartan of 200,000 Cannabis Sales Units[1] during the Sales Period attributable to the Spartan (achieved);

2) The total aggregate sales attributable to Spartan of 485,000 Cannabis Sales Units[1] during the Sales Period of which 90,000 Cannabis Sales Units are sold by Canveda.

3) The total aggregate sales attributable to Spartan of 885,000 Cannabis Sales Units[1] during the Sales Period of which 315,000 are sold by Canveda;

4) The total aggregate sales attributable to Spartan of 1,290,000 Cannabis Sales Units[1] during the Sales Period of which 570,000 are sold by Canveda

[1] "Cannabis Sales Unit" means 1 cannabis sales unit, which is deemed to be 1 gram of dried cannabis or equivalent amount of a class of cannabis specified in Schedule 3, "Equivalent Amounts", of the Cannabis Act (Canada), being: (a) 1 gram of dried cannabis; (b) 5 grams of fresh cannabis; (c) 15 grams of solids containing cannabis; (d) 70 grams of non-solids containing cannabis; (e) 0.25 grams of solid or non-solid concentrates; or (f) 1 cannabis plant seed; however, notwithstanding the equivalence formula in the Cannabis Act (Canada), for the purposes of determining the Cannabis Sales Units, cannabis oils shall be converted to grams of dried cannabis according to the equivalency supplied by the selling licensed producer as indicated on their website and the label on each product as required by the *Access to Cannabis for Medical Purposes Regulations*.

The Spartan Acquisition has been accounted for as a business combination. The following table summarizes the allocation of the purchase price of $4,871,955 to the identifiable assets and liabilities of the Spartan Acquisition. The assets acquired and liabilities assumed are to be recorded at their estimated fair market values, which are based on management estimates.

Accounts receivable	$ 3,703
Goodwill (i)	4,904,204
Accounts payable and accrued liabilities	(35,952)
Net assets acquired	$ 4,871,955
Common shares	$ 947,918
Warrants	127,476
Contingent consideration (Note 14)	3,796,561
Total consideration paid for acquisition (ii)	$ 4,871,955

(i) Goodwill

The goodwill is attributable to the patient network, workforce and profitability of Spartan.

5. Acquisitions (continued)

(a) Business combinations completed in the year ended September 30, 2019 (continued)

Acquisition of Spartan (continued)

(ii) Consideration paid

Based on current trends and historical monthly sales, the Corporation expects the cumulative sales milestones related to the contingent consideration to be achieved in the fiscal year 2020 and 2021. The Corporation has measured the contingent consideration payable based on all milestones being achieved in advance of the expiry of the agreement in October 2022. As at the acquisition date, the Corporation has estimated the liability at $3,796,561. The Corporation has used the present value method with a discount rate of 10% to measure this liability as at September 30, 2019. The fair value of the MPX Shares is estimated using the quoted share price of $1.04 at the date of acquisition. The fair value of the Warrants is estimated using the Black Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatilities 91.23%; (iii) risk free interest rates of 2.28%; (iv) MPX share price of $1.04; forfeiture rate of 0; and (v) expected life of 0.98 – 2.56 years. The expected volatilities are based on the historical trading prices of similar companies.

Revenue and profit contribution

Spartan contributed revenues of $1,118,779 and net profit of $271,060 to the Corporation for the period from October 22, 2018 to September 30, 2019. If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and profit for the year ended September 30, 2019 would have been $1,121,630 and $239,411, respectively.

Acquisition related costs

The Corporation also agreed to pay a 5% finder's fee (transaction costs) equal to $43,750 through the issuance of 39,062 MPX Shares as well as 5,434 MPX Warrants exercisable at $1.15 for a period of three years. The transaction costs have been expended as they were incurred.

Acquisition of HolyWeed

On May 17, 2019, the Corporation completed the acquisition of all of the outstanding shares of HolyWeed (the "HolyWeed Acquisition"). HolyWeed has a diverse product range which includes 100% Swiss grown cannabis light/high CBD products, all compliant with Swiss regulations of <1% THC. The acquisition of the HolyWeed is another milestone for the Corporation's European expansion strategy.

The total purchase price is satisfied through the issuance of 25,252,830 MPXI Shares to the shareholders of HolyWeed. 80% of the MPXI shares issued were placed in escrow to be released to the shareholders of HolyWeed upon the satisfaction of the following conditions:

(in Canadian dollars)

5. Acquisitions (continued)

(a) Business combinations completed in the year ended September 30, 2019 (continued)

Acquisition of HolyWeed (continued)

1) 20% of the MPXI Shares issued will be released upon the official launch and sale of cannabidiol oil on the HolyWeed eCommerce Platform;

2) 20% of the MPXI Shares issued will be released upon confirmation of an annualized revenue run-rate of CHF 5,000,000 with a minimum of three consecutive months of net sales revenue less tobacco tax in excess of CHF 420,000 from HolyWeed; and

3) 40% of the MPXI Shares issued will be released upon confirmation of achieved EBITDA of CHF 1,600,000 for the twelve-month trailing period, which shall include a minimum of three consecutive months of EBITDA in excess of CHF 133,000.

If the release conditions have not been satisfied by June 30, 2021, any MPXI Shares remaining in escrow shall be automatically released by the escrow agent to MPXI for cancellation.

The HolyWeed Acquisition has been accounted for as a business combination. The following table summarizes the allocation of the purchase price of $14,980,018 to the identifiable assets and liabilities of the acquisition on May 17, 2019. The assets acquired and liabilities assumed are to be recorded at their estimated fair market values, which are based on management estimates.

Cash	$	69,025
Accounts receivable		27,174
Biological assets (i)		410,895
Inventory (ii)		1,060,368
Prepaids		15,290
Property, plant and equipment		53,544
Intangible asset – Trademark (iii)		1,609,539
Intangible asset – Customer relationships (iv)		1,029,146
Intangible asset – process expertise		178,142
Goodwill (v)		13,415,015
Accounts payable and accrued liabilities		(150,429)
Short-term loans		(1,338,378)
Note payable		(850,370)
Other liabilities		(71,610)
Deferred tax liability		(477,333)
Net assets acquired	$	14,980,018
Common shares (Note 15)	$	3,131,351
Contingent consideration (Note 15)		11,848,667
Total consideration paid for acquisition (vi)	$	14,980,018

(i) Biological assets

The fair values of biological assets are based on the same unobservable inputs as described in Note 8, except for the weighted average stage of growth, which was 1 week.

5. Acquisitions (continued)

(a) Business combinations completed in the year ended September 30, 2019 (continued)

Acquisition of HolyWeed (continued)

(ii) Inventories

The fair values of the inventories are based on a market comparison technique. The market comparison technique estimates the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(iii) Intangible asset – Trademark

The fair value of the intangible asset – trademark is based on the relief-from-royalty method. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows to be generated by the customer relationships, but exclude any cash flows related to contributory assets with the following assumptions: a royalty rate of 10% and a discount rate of 30%. The remaining estimated useful life of the intangible asset is 10 years.

(iv) Intangible asset – Customer list

The fair value of the intangible asset – Customer relationships (wholesale and online) is based on the multi-period excess earnings method. The multi-period excess earning method estimates fair value based on the expected future excess earnings stream attributable to a particular customer with the following assumptions: attrition rates of 10% and 30% and discount rates of 30% and 20% for wholesale and online respectively. The remaining estimated useful life of the intangible asset is 11.6 years.

(v) Goodwill

The goodwill is attributable to the workforce and profitability of HolyWeed.

(vi) Consideration paid

The MPXI Shares released to the shareholders of HolyWeed on the acquisition date were measured at fair value using the quoted share price of $0.62 on May 17, 2019. The contingent consideration was classified as equity as there is no underlying causal relationship or significant correlation between the outcomes or settlement of each milestone. Each milestone will be settled in a fixed number of MPXI shares. The contingent consideration is measured at fair value using the present value method at a discount rate of 10% with estimated release condition completion at September 2019 (release condition 1) and December 2019 (release conditions 2 and 3).

Revenue and profit contribution

HolyWeed contributed revenues of $76,062 and net profit of $2,576,510 to the Corporation for the period from May 17, 2019 to September 30, 2019. If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and profit for the year ended September 30, 2019 would have been $153,808 and $1,385,298, respectively.

Acquisition related costs

The Corporation also agreed to pay consulting fees equal to $37,537 in cash. The transaction costs have been expensed as they were incurred.

(in Canadian dollars)

5. Acquisitions (continued)

(b) Asset acquisitions completed in the year ended September 30, 2018

Acquisition of Canveda

On June 7, 2018, the Corporation entered into the definitive purchase agreement effective June 8, 2018 to acquire 100% of the issued and outstanding common shares of Canveda (the "Canveda Acquisition"). At the date of acquisition, Canveda owned a cannabis cultivation license from Health Canada, and leases a cannabis cultivation and production facility in Peterborough, Ontario that was fully built-out. The Canveda acquisitions enabled the Corporation to establish a foothold in Canada to develop a vertically integrated business from seed to sale.

The total consideration consists of (i) $3,120,000 in cash, (ii) the issuance of 21,428,571 MPX Shares and (iii) the issuance of 6,000,000 MPX Warrants each exercisable into one MPX Share at an exercise price of $0.84 for a period of five (5) years from the date of issuance. The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 99%; (iii) risk-free interest rate of 2.15%; (iv) MPX share price of $0.89; and (iv) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. The Corporation incurred $252,921 of transaction costs and $22,538 was paid in the form of cash. The remaining $230,383 was paid through the issuance of 258,857 MPX Shares on the date of acquisition.

The Canveda Acquisition has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of Canveda which have been recorded at their relative fair values.

Cash	$ 738
Amounts receivable	90,336
Prepaids	67,389
Property, plant and equipment	3,263,975
Intangible asset (i)	23,066,749
Accounts payable and accrued liabilities	(13,940)
Net assets acquired	$ 26,475,247
Cash	$ 3,120,000
Common shares	19,071,428
Warrants	4,030,898
Transaction costs	252,921
Total consideration paid for acquisition	$ 26,475,247

(i) Intangible asset

The intangible asset relates to a cultivation license under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR").

(in Canadian dollars)

5. Acquisitions (continued)

(c) Asset acquisitions completed in the year ended September 30, 2019

Acquisition of MPX Australia

On February 15, 2019 (1% for no consideration) and July 22, 2019 (49%), the Corporation completed the acquisition of all of the remaining outstanding shares (50%) of MPX Australia. On July 22, 2019, the Corporation obtained control over MPX Australia (the "MPX Australia Acquisition"). At the date of acquisition, MPX Australia was in the process of the build out of a facility in Launceston, which is intended to be in production by mid 2020. The facility is intended to be used for indoor cultivation, extraction and manufacture of medical cannabis products. The acquisition of the remaining interests in MPX Australia is another milestone for the Corporation's international expansion strategy that will provide MPX International with access to the growing Australian market and will also serve as the Corporation's gateway into the Asian markets.

The total purchase price for the acquisition of the remaining 49% of the outstanding shares is paid through the issuance of up to 7,145,559 MPXI Shares to the shareholders of MPX Australia. The shares are to be released to the shareholders of MPX Australia upon the satisfaction of certain milestones:

1. 2,689,189 MPXI Shares upon the granting of the medicinal cannabis license (cultivation and production) in Australia in accordance with the Narcotic Drugs Act 1967;
2. 2,151,351 MPXI Shares upon the completion of the Launceston Facility in Tasmania, Australia, being the issue of an occupancy certificate by a governmental entity; and
3. 2,305,019 MPXI Shares upon the earliest of: (i) the first successful harvest; (ii) the first material export; or (iii) immediately prior to the closing or occurrence of a change of control of MPX Australia.

The contingent consideration is treated as an executory payment and is excluded from the initial measurement of the asset acquisition.

In addition, the Corporation issued 327,123 MPXI Shares to satisfy the principal as well as the accrued and unpaid interest on a loan incurred by MPX Australia from the lender in the aggregate amount of $137,392.

The acquisition of MPX Australia has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of MPX Australia Acquisition on July 22, 2019, which have been recorded at their relative fair values:

Cash	$ 125,991
Accounts receivable	8,896
Property, plant and equipment	430,338
Accounts payable and accrued liabilities	(4,221)
Short-term loans	(423,612)
Net assets acquired	$ 137,392
Previously held interest (carry-over basis)	$ -
Common shares (Note 15)	137,392
Total consideration paid for acquisition	$ 137,392

Acquisition of Alphafarma

On April 10, 2019, MPX Malta entered into a share transfer agreement to purchase all outstanding shares of Alphafarma from Alpha Farma Limited. On the date of acquisition the vendor terminated their lease of a "GMP-ready" facility located in Mehriel, Malta. Concurrently, MPXI, through its subsidiary MPXI Malta, entered into a new lease for the facility. The facility is intended to be used for extraction and manufacture of medical cannabis products. The acquisition of the Alphafarma is another milestone for the Corporation's European expansion strategy.

(in Canadian dollars)

5. Acquisitions (continued)

(c) Asset acquisitions completed in the year ended September 30, 2019 (continued)

Acquisition of Alphafarma (continued)

On August 6, 2019, MPX Malta completed the transaction through payment of EUR 1,500,000 (approximately $2,224,800) in cash and the issuance of 1,000,000 common shares of MPXI and 300,000 Warrants to acquire additional MPXI Shares at an exercise price of $0.63 per MPXI Share for a period of 5 years. The Corporation incurred $66,370 of transaction costs which was paid through the issuance of 142,484 MPXI Shares on the date of acquisition.

The acquisition of Alphafarma has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of Alphafarma which have been recorded at their relative fair values.

Intangible asset – lease contract GMP-ready facility (i)	$	2,797,602
Net assets acquired	$	2,797,602
Cash	$	2,224,800
Common shares (Note 15)		430,000
Warrants (Note 17)		76,432
Transaction costs (Note 15)		66,370
Total consideration paid for acquisition	$	2,797,602

(i) Intangible assets – lease contract GMP ready facility

The intangible assets recognized as part of the asset acquisition of Alphafarma relates to the lease contract of the GMP ready facility in Mehriel, Malta. The contract is considered to be an intangible asset based on its unique characteristics. The useful life of the intangible asset is determined to be 5 years, which is corresponds with the lease term of the lease contract.

6. Accounts receivable

		September 30, 2019		September 30, 2018
Trade receivables	**$**	**306,380**	$	58,887
Other receivables (i)		**221,344**		25,117
HST receivable		**551,830**		247,210
	$	**1,079,554**	$	331,214

(i) At September 30, 2019, other receivables include $165,538 (US $125,000) which the Corporation has advanced to First Growth Holdings (Pty) Ltd. (“First Growth”), pursuant to a promissory note agreement, dated July 29, 2019, at an annual interest rate of 6%. The note matures on the earlier of January 29, 2020 or the date at which MPXI and First Growth complete a transaction.

Expected credit losses for the year ended September 30, 2019 was $36,983 (September 30, 2018 – $Nil). Accounts receivable more than 90 days past due totalled $44,043 at September 30, 2019 (September 30, 2018 – $1,446).

(in Canadian dollars)

7. Inventory

	Capitalized, cost	Biological asset fair, value adjustment	September 30, 2019
Dry cannabis			
Finished goods	$ 158,420	$ 12,100	$ 170,520
Work-in-process	1,437,467	781,225	2,218,692
Products for resale	72,364	-	72,364
Seeds	99,551	-	99,551
	$ 1,767,802	$ 793,325	$ 2,561,127

	Capitalized, cost	Biological asset fair, value adjustment	September 30, 2018
Dry cannabis			
Finished goods	$ -	$ -	$ -
Work-in-process	-	-	-
Products for resale	66,286	-	66,286
Seeds	-	-	-
	$ 66,286	$ -	$ 66,286

As at September 30, 2019, the Corporation held 6,631,444 grams of dry cannabis (98,646 grams of finished goods, 6,211,329 grams of work-in-process) (September 30, 2018 – Nil grams (Nil grams of finished goods, Nil grams of work-in-process).

Inventory expensed during the year ended September 30, 2019, was $291,535 (for the year ended September 30, 2018 – $34,487). In addition, inventories have been reduced by $131,219 (for the year ended September 30, 2018 – $Nil) as a result of a write-off to net realizable value. This write-off was recognized as an expense during 2019.

8. Biological assets

Biological assets consist of planted seeds and cannabis plants. The changes in the carrying value of biological assets for the year ended September 30, 2019 are as follows:

	September 30, 2019	September 30, 2018
Balance, beginning of year	**$ 40,552**	$ -
Acquired biological assets (Note 5 (xx)	**410,895**	-
Net increase in fair value less cost to sell due to biological transformation	**5,150,607**	11,277
Net increase in biological assets due to capitalized costs	**2,369,965**	29,275
Transferred to inventory upon harvest	**(1,513,151)**	-
Foreign exchange	**(54,113)**	-
Balance, end of year	**$ 6,404,755**	$ 40,552

(in Canadian dollars)

8. Biological assets (continued)

Management has made the following estimates in the cannabis plants model:

- Average number of days in the growing and processing cycle;
- Average harvest yield, which incorporates estimates around wastage;
- Average selling price, which varies depending on strains;
- Standard costs to grow and process, which varies depending on location; and
- Average costs to sell.

The fair value of biological assets is determined based on a Level 3 valuation. In Management's view, the significant unobservable inputs and their range of values are noted in the table below. The sensitivity analysis for each significant input is performed by assuming a 5% decrease while assuming all other inputs remain constant:

Significant unobservable inputs	Range	Weighted Average	Sensitivity	Decrease in fair value of biological assets at September 30, 2019
Average harvest yield, which incorporates estimates around wastage	28 grams to 728 grams per plant	325 grams per plant	A 5% decrease in the expected yield per plant would result in a significant decrease in fair value, and vice versa.	$320,097
Average selling prices, which varies depending on strain	$0.06 to $7.23 per gram	$0.14 per gram	A 5% decrease in the selling price per strain would result in a significant decrease in fair value, and vice versa.	$173,141
Standard costs	$0.02 to $1.17 per gram	$0.02 per gram	Standard costs are used to attribute fair value based on the plant's stage of growth. Changes to standard costs relative to the plant's stage of growth do not change the fair value.	N/A
Stage of growth	1 to 20 weeks	20 weeks	A decrease of 1 week in the stage of growth would result in a significant decrease in fair value, and vice versa.	$284,809

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at September 30, 2019, it is expected that the Corporation's cannabis plants biological assets will yield approximately 89,727,545 grams (September 30, 2018 – 40,410 grams) of cannabis for processing when harvested. The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

The effect of changes in the fair value of biological assets and inventory during the years ended September 30, 2019 and September 30, 2018 is as follows:

	September 30, 2019	September 30, 2018
Unrealized change in fair value of biological assets	**$ 5,150,607**	$ 11,277
Realized fair value increments on inventory sold during the period	**(87,429)**	-
Net effect of changes in fair value of biological assets and inventory	**$ 5,063,178**	$ 11,277

(in Canadian dollars)

9. Property, plant and equipment

The continuity of property, plant and equipment for the year ended September 30, 2019, is as follows:

Gross carrying amount	Leasehold improvements	Equipment	Furniture and Fixtures	Vehicle	Total
Balance, October 1, 2018	$ 2,612,762	$ 1,263,237	$ 10,922	$ -	$ 3,886,921
Business combination	-	18,926	-	34,618	53,544
Asset acquisitions	430,338	-	-	-	430,338
Additions	537,001	644,207	59,548	7,372	1,248,128
Disposals	-	(132,693)	(1,200)	-	(133,893)
Net foreign exchange diff.	(14,515)	(3,472)	-	(257)	(18,244)
Balance, September 30, 2019	$ 3,565,586	$ 1,790,205	$ 69,270	$ 41,733	$ 5,466,794
Depreciation					
Balance, October 1, 2018	$ (558,060)	$ (51,375)	$ (2,126)	$ -	$ (611,561)
Depreciation	(349,798)	(213,369)	(1,857)	(4,120)	(569,144)
Disposals	-	17,567	59	-	17,626
Net foreign exchange diff.	-	116	-	101	217
Balance, September 30, 2019	$ (907,858)	$ (247,061)	$ (3,924)	$ (4,019)	$ (1,162,862)
Carrying amount, September 30, 2019	$ 2,657,728	$ 1,543,144	$ 65,346	$ 37,714	$ 4,303,932
Carrying amount, September 30, 2018	$ 2,054,702	$ 1,211,862	$ 8,796	$ -	$ 3,275,360

The continuity of property, plant and equipment for the year ended September 30, 2018, is as follows:

Gross carrying amount	Leasehold improvements	Equipment	Furniture and Fixtures	Vehicle	Total
Balance, October 1, 2017	$ 80,452	$ -	$ 9,722	$ -	$ 90,174
Asset acquisitions	2,398,366	864,409	1,200	-	3,263,975
Additions	133,944	398,828	-	-	532,772
Disposals	-	-	-	-	-
Net foreign exchange diff.	-	-	-	-	-
Balance, September 30, 2018	$ 2,612,762	$ 1,263,237	$ 10,922	$ -	$ 3,886,921
Depreciation					
Balance, October 1, 2017	$ (13,506)	$ -	$ (737)	$ -	$ (14,243)
Depreciation	(544,554)	(51,375)	(1,389)	-	(597,318)
Disposals	-	-	-	-	-
Net foreign exchange diff.	-	-	-	-	-
Balance, September 30, 2018	$ (558,060)	$ (51,375)	$ (2,126)	$ -	$ (611,561)
Carrying amount, September 30, 2018	$ 2,054,702	$ 1,211,862	$ 8,796	$ -	$ 3,275,360
Carrying amount, September 30, 2017	$ 78,521	$ -	$ 8,984	$ -	$ 87,506

* $165,906 of the depreciation charged for the year has been capitalized in biological assets at September 30, 2019 ($Nil at September 30, 2018).

(in Canadian dollars)

10. Intangible assets

A continuity of intangible assets for the year ended September 30, 2019, is as follows:

Gross carrying amount	Licenses	Trade marks	Customers lists	Other	Total
Balance, October 1, 2018	$ 23,066,749	$ -	$ -	$ -	$ 23,066,749
Business combination	-	1,609,539	1,029,146	178,142	2,816,827
Asset acquisitions	-	-	-	2,797,602	2,797,602
Net foreign exchange diff.	-	(5,798)	(3,708)	(74,958)	(84,464)
Balance, September 30, 2019	$ 23,066,749	$ 1,603,741	$ 1,025,438	$ 2,900,786	$ 28,596,714
Amortization					
Balance, October 1, 2018	$ -	$ -	$ -	$ -	$ -
Amortization	(2,258,282)	(53,969)	(31,371)	(93,125)	(2,436,747)
Net foreign exchange diff.	-	511	297	1,225	2,033
Balance, September 30, 2019	$ (2,258,282)	$ (53,458)	$ (31,074)	$ (91,900)	$ (2,434,714)
Carrying amount, September 30, 2019	$ 20,808,467	$ 1,550,283	$ 994,364	$ 2,808,886	$ 26,162,000
Carrying amount, September 30, 2018	$ 23,066,749	$ -	$ -	$ -	$ 23,066,749

The continuity of intangible assets for the year ended September 30, 2018, is as follows:

Gross carrying amount	Licenses	Trade marks	Customers lists	Other	Total
Balance, October 1, 2017	$ -	$ -	$ -	$ -	$ -
Asset acquisitions	23,066,749	-	-	-	23,066,749
Additions	-	-	-	-	-
Net foreign exchange diff.	-	-	-	-	-
Balance, September 30, 2018	$ 23,066,749	$ -	$ -	$ -	$ -
Amortization					
Balance, October 1, 2017	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	-	-	-
Net foreign exchange diff.	-	-	-	-	-
Balance, September 30, 2018	$ -	$ -	$ -	$ -	$ -
Carrying amount, September 30, 2018	$ 23,066,749	$ -	$ -	$ -	$ 23,066,749
Carrying amount, September 30, 2017	$ -	$ -	$ -	$ -	$ -

(in Canadian dollars)

11. Goodwill

The effect of changes in the goodwill for the year September 30, 2019 is as follows:

	September 30, 2019	September 30, 2018
Balance, beginning of year	**$ -**	$ -
Spartan Acquisition (Note 5(a))	**4,904,204**	-
HolyWeed Acquisition (Note 5(a))	**13,415,015**	-
Net foreign exchange differences	**(48,327)**	-
Balance, end of year	**$ 18,270,892**	$ -

Goodwill is allocated to CGU's or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment.

The Corporation tested goodwill for impairment in the fourth quarter of the year ended September 30, 2019. Management estimated the recoverable amount of each CGU to which goodwill has been allocated based on their fair values less costs of disposal and determined that the amounts were not impaired. The fair value less costs of disposal were estimated using the discounted future cash flows for a period of up to 10 years. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the fair value less costs of disposal relate to the discount rate (12%) and the terminal value growth rate (3%). The cash flow projections included specific estimates for 3 years and a terminal growth rate thereafter up to 10 years. The values assigned to the key assumption represent management's assessment of future trends in the industry.

12. Investments in equity method investees

The following tables outline the investments in associates and joint ventures (2702148 Ontario Inc. dba Kaajenga Cannabis ("Kaajenga") and MPX Australia) that are accounted for using the equity method in the year ended September 30, 2019.

			Proportion of ownership and voting rights held	
Name of associate / joint venture		Principal place of business	Sept. 30, 2019	Sept. 30, 2018
MPX Australia	(i)	Australia	-	50%
Kaajenga	(ii)	Canada	20%	-

(i) During the year ended September 30, 2019, the remaining shares of MPX Australia were acquired. The acquisition was accounted for as an asset acquisition (refer to note 5). The effect of changes in the joint venture for the year ended September 30, 2019 and the year ended September 30, 2018 is as follows:

	September 30, 2019	September 30, 2018
Balance, beginning of year	**$ 96,340**	$ -
Initial investment	**-**	140,340
Share of losses	**(98,121)**	(45,453)
Net exchange differences	**1,781**	1,453
Derecognition	-	-
Balance, end of year	**$ -**	$ 96,340

(in Canadian dollars)

12. Investments in equity method investees (continued)

(ii) On July 16, 2019, MPXI acquired a 20% stake in Kaajenga, securing the exclusive rights to a turnkey video learning and engagement platform for the cannabis industry. Kaajenga has developed and is in the process of commercializing a Cannabis Kiosk Solution using its proprietary video learning and engagement rewards platform to activate, educate, and engage audiences through a private social learning network. MPXI's initial investment comprised $125,000 in cash and the issuance of 245,048 MPXI Shares and 245,048 warrants. Each warrant entitles the holder to purchase one common share of MPXI at an exercise price of $0.61 for five years from the date of issuance. MPXI considers that the 20% (voting) interest in Kaajenga provides MPXI with significant influence. Hence, the fair value of the initial investment is recognized at cost and is subsequently accounted for using the equity method of accounting. MPXI has also entered into definitive buy/sell agreements from the shareholder of Kaajenga to acquire all remaining shares of the company based on achieving specific patient acquisition milestones in exchange for no less than 2,900,000 MPXI common shares and MPXI common share purchase warrants (see Note 25). Kaajenga's loss in the financial year amounted $151,541. Therefore 20% of this loss (i.e. $30,308) relates to the Corporation's share of losses in Kaajenga. The definitive buy/sell agreements to acquire the remaining shares are considered to be derivatives that are subsequently accounted for at FVTPL. As per July 16, 2019 and as per September 30, 2019, the fair value of these derivatives is considered to be $Nil. The effect of changes in the associate for the year ended September 30, 2019 and the year ended September 30, 2018 is as follows:

	September 30, 2019	September 30, 2018
Balance, beginning of year	**$ -**	$ -
Initial investment	**309,245**	-
Share of losses	**(30,308)**	-
Net exchange differences	**-**	-
Balance, end of year	**$ 278,937**	$ -

13. Accounts payable and accrued liabilities

	September 30, 2019	September 30, 2018
Trade payables	**$ 1,253,583**	$ 31,642
Accrued liabilities	**1,846,517**	115,520
Sales tax payable	**124,683**	-
	$ 3,224,783	$ 147,162

14. Contingent consideration payable

	September 30, 2019	September 30, 2018
Balance, beginning of year	**$ -**	$ -
Acquisition of Spartan	**3,796,561**	-
Accretion of contingent consideration payable	**257,286**	-
Issued shares and warrants	**(209,331)**	
Shares and warrants to be issued (included in accrued liabilities in Note 13)	**(277,267)**	
Remeasurement of contingent consideration payable at fair value	**(1,646,649)**	-
Balance, end of period	**$ 1,920,600**	$ -

(in Canadian dollars)

14. Contingent consideration payable (continued)

Pursuant to the terms of the Spartan Acquisition and as outlined in Note 5, the Corporation committed to providing the Sellers with MPX Shares and Warrants based on the achievement of certain agreed sales milestones (see Note 5).

Following the closing of the Spartan Acquisition, one of the sellers of Spartan, Veteran Grown Corporation, and the Corporation entered into a substituted consideration agreement (the "Substituted Consideration Agreement") dated July 29, 2019. Pursuant to the Substituted Consideration Agreement, the Corporation issued 439,453 MPXI Shares and 64,935 Warrants exercisable at a price of $0.77 per MPXI Share for a period of three (3) years from the date of issue. The substituted consideration agreement also reduces the cumulative sales milestones.

The Corporation was also served with a statement of claim on or about August 7, 2019 and amended on or about August 21, 2019 from the other seller of Spartan, Ninth Square Capital Corporation ("Ninth Square"). The Claim was commenced in the Ontario Superior Court of Justice and seeks damages from MPXI and co-defendants iAnthus Capital Holdings Inc. and MPX Bioceutical ULC (formerly MPX), alleging that the Arrangement was unfairly prejudicial to and unfairly disregarded the interest of Ninth Square, in the amount of $3,000,000.

On September 30, 2019, the Corporation issued a counterclaim seeking damages in the amount of $1 million from Ninth Square. The counterclaim alleges, among other things, that Ninth Square breached their contract with MPXI. Ninth Square served the Corporation with its defence to the Counterclaim on November 4, 2019 requesting that the counterclaim of the Corporation be dismissed.

The litigation has not progressed beyond the pleadings stage. Discoveries have not yet taken place. Accordingly, the outcome is uncertain. However, the Corporation currently believes that it is unlikely to be directed to pay anything beyond the value of the earn-outs that it has already contractually agreed to.

The impact of (the outcome of) these discussion/negotiations on the fair value of the contingent consideration is not considered to be a measurement period adjustment as it does not relate to additional information about the facts and circumstances that existed at the date of acquisition. Therefore, the impact of these discussion/negotiations on the fair value of the contingent consideration, if any, is recognized in profit or loss.

Based on current trends and historical monthly sales, the Corporation expects these milestones to be achieved in the fiscal year 2020 and 2021. The Corporation has measured the contingent consideration payable based on all milestones being achieved in advance of the expiry of the agreement in October 2022. As at September 30, 2019, the Corporation has estimated the liability at $1,920,600 (date of acquisition of October 22, 2018 - $3,796,561) on the consolidated statement of financial position. The Corporation has used the present value method with a discount rate of 10% to measure this liability as at September 30, 2019. The fair value of the MPXI Shares is estimated using the quoted share price of $0.46 on September 30, 2019. The fair value of the Warrants is estimated using the Black Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatilities between 71.34% - 79.51%; (iii) risk free interest rates between 1.54% - 1.55%; (iv) share price of $0.51; forfeiture rate of 0; and (v) expected life between 1.31 – 2.56 years. The expected volatilities are based on the historical trading prices of similar companies.

	Discount rate	September 30, 2019	September 30, 2018
Present value of expected repayments	10.00%	$ 1,920,600	$ -
Less: current portion		985,436	-
		$ 935,164	$ -

(in Canadian dollars)

14. Contingent consideration payable (continued)

The Corporation's expected repayments are follows:

2020	985,436
2021	935,164
	$ 1,920,600

15. Share capital

a) Authorized

Unlimited number of common shares without par value

b) Common shares issued

	Number of common shares	Value
Balance, September 30, 2017 and September 30, 2018	-	$ -
Issued pursuant to the Arrangement (Note 1) (i)	45,304,966	31,921,220
Shares issued pursuant to the Offering (ii)	56,052,421	26,905,163
Allocated to Warrants (ii)	-	(11,277,103)
Share issuance costs	-	(533,752)
HolyWeed Acquisition (Note 5) (iii)	25,252,830	14,980,018
MPX Australia Acquisition (Note 5) (v)	327,123	137,392
Alphafarma Acquisition (Note 5) (vi)	1,142,484	496,370
Investment in equity method investees (Note 12) (iv)	245,098	113,971
Settlement of contingent consideration (vii)	461,425	198,413
Consulting fees (viii)	1,391,750	662,650
Exercise of options	2,358,326	-
Exercise of Warrants	2,607,764	-
Balance, September 30, 2019	135,144,187	$ 63,604,342

(i) On February 5, 2019, the Company issued 45,304,966 common shares pursuant to the Arrangement. The impact of this transaction was to increase share capital by $31,921,220, being the carrying value of the net assets received as at February 5, 2019.

(ii) On March 22, 2019, the Corporation completed a private placement for gross proceeds of $26,905,163 through the issuance of 56,052,421 units (the "Units") at a price of $0.48 per Unit (the "Offering"). Each Unit issued in the Offering consists of one MPXI Share and one Warrant. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $0.60 per MPXI Share for a period of 5 years (see Note 17 for warrants).

15. Share capital (continued)

b) Common shares issued (continued)

(iii) On May 17, 2019, the Corporation completed the HolyWeed Acquisition through the issuance of 25,252,830 MPXI Shares of which 80% of the MPXI Shares issued were placed in escrow to be released to the shareholders of HolyWeed upon the satisfaction of the following conditions:

1. 20% of the MPXI Shares issued will be released upon the official launch and sale of cannabidiol oil on the HolyWeed eCommerce Platform;
2. 20% of the MPXI Shares issued will be released upon confirmation of an annualized revenue run-rate of CHF 5,000,000 with a minimum of three consecutive months of net sales revenue less tobacco tax in excess of CHF 420,000 from HolyWeed; and
3. 40% of the MPXI Shares issued will be released upon confirmation of achieved EBITDA of CHF 1,600,000 for the twelve-month trailing period, which shall include a minimum of three consecutive months of EBITDA in excess of CHF 133,000.

The MPXI Shares released to the former shareholders of HolyWeed on the acquisition date were measured at fair value using the quoted share price of $0.62 on May 17, 2019. The contingent consideration was classified as equity and measured at fair value using the present value method at a discount rate of 10% with estimated release condition completion at September 2019 (release condition 1) and December 2019 (release conditions 2 and 3).

If the release conditions have not been satisfied by June 30, 2021, any MPXI Shares remaining in escrow shall be automatically released by the escrow agent to MPXI for cancellation.

(iv) On July 16, 2019, the Corporation acquired a 20% investment in Kaajenga (Note 12) and issued 245,098 MPXI Shares as part of the consideration. The shares were measured at fair value using the quoted share price of $0.465 on July 16, 2019.

(v) On July 22, 2019, the Corporation completed the MPX Australia Acquisition (Note 5) and issued 327,123 MPXI Shares as part of the consideration. The shares were measured at fair value using the quoted share price of $0.42 on July 22, 2019.

(vi) On August 6, 2019, the Corporation completed the acquisition of Alphafarma (Note 5) and issued 1,000,000 MPXI Shares as part of the consideration. In connection, the Corporation issued 25,000 MPXI Shares of transaction costs relating to this acquisition. The shares were measured at fair value using the quoted share price of $0.43 on August 6, 2019. In addition, there were cash transaction costs of $55,620, which the Corporation satisfied by issuing 117,484 MPXI Shares. These shares were measured at the fair value of the services provided.

(vii) On August 6, 2019, the Corporation issued 461,425 MPXI Shares to settle a portion of contingent consideration related to the acquisition of Spartan (Notes 5 and 14). The shares were measured at fair value using the quoted share price of $0.43 on August 6, 2019.

(viii) On August 6, 2019, the Corporation issued 1,391,750 MPXI Shares related to consulting fees. The shares were recorded at $662,650, the fair value of the services provided per amounts included in the consulting agreements.

(in Canadian dollars)

16. Stock options

The Corporation has a stock option plan (the “Plan”) under which the directors of the Corporation may grant options to acquire MPXI Shares of the Corporation to qualified directors, officers, employees, and consultants of the Corporation. The maximum number of MPXI Shares allocated to be made available to be issued under the Plan shall not exceed 10% of the issued and outstanding MPXI Shares at the time of grant. Exercise prices cannot be less than the closing price of the MPXI Shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years.
The following table shows the continuity of options:

	Number of options	Weighted average exercise price
Balance, September 30, 2017 and September 30, 2018	-	$ -
Granted pursuant to the Arrangement (Note 1) (a)	2,432,826	-
Granted (b) (c) (d)	3,775,000	0.58
Exercised	(2,358,326)	-
Expired	(74,500)	-
Balance, September 30, 2019	3,775,000	$ 0.58

(a) On February 5, 2019, the Corporation granted 2,432,826 stock options pursuant to the Arrangement at an exercise price of $Nil per MPXI Share and expiring between May 6, 2019 and May 31, 2023. The stock options vested immediately. The grant did not have an impact to contributed surplus.

(b) On February 26, 2019, the Corporation granted 3,175,000 stock options to employees, directors and consultants that provide services similar to employees of the Corporation at an exercise price of $0.59 per MPXI Share and expiring on February 26, 2024. The fair value of the options has been estimated at $1,332,962 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 92.36%; (iii) risk-free interest rate of 1.77%; (iv) share price of $0.59; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. 2,950,000 of the stock options vested immediately and the remaining 225,000 stock options shall vest on February 26, 2020. For the year ended September 30, 2019, the Company recorded $1,060,691 of share-based compensation and $171,785 of consulting fees in the consolidated statements of net loss and comprehensive loss.

(c) On May 29, 2019, the Corporation granted 285,000 stock options to employees and consultants of the Corporation at an exercise price of $0.60 per MPXI Share and expiring on May 29, 2024. The fair value of the options has been estimated at $111,270 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0% at May 29,2019; (ii) expected volatility of 83.44%; (iii) risk-free interest rate of 1.77%; (iv) share price of $0.59; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. The stock options shall vest on May 29, 2020. For the year ended September 30, 2019, the Company recorded $17,906 of share-based compensation and $19,895 of consulting fees in the consolidated statements of net loss and comprehensive loss.

(d) On September 19, 2019, the Corporation granted 315,000 stock options to employees and consultants of the Corporation at an exercise price of $0.45 per MPXI Share and expiring on September 19, 2024. The fair value of the options has been estimated at $92,151 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0% at September 19, 2019; (ii) expected volatility of 82.97%; (iii) risk-free interest rate of 1.46%; (iv) share price of $0.45; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. 20,000 of the stock options vested immediately and the remaining 295,000 stock options shall vest on September 19, 2020. For the year ended September 30, 2019, the Company recorded $7,321 of share-based compensation and $838 of consulting fees in the consolidated statements of net loss and comprehensive loss.

(in Canadian dollars)

16. Stock options (continued)

(e) For the year ended September 30, 2019, the Company recorded $229,074 (2018 - $Nil) of share-based compensation in the consolidated statements of net loss and comprehensive loss on an allocated basis from MPX. This expense relates to the period from October 1, 2018 to closing date of the Arrangement on February 5, 2019.This expense did not have an impact on contributed surplus.

(f) For the stock options exercised during the year ended September 30, 2019, the weighted average share price on the date of exercise was $0.61.

The following table reflects the outstanding stock options as at September 30, 2019:

Number of exercisable options	Number of options	Remaining life (years)		Average exercise price	Expiry date
2,950,000	3,175,000	4.41	$	0.59	Feb 26, 2024
-	285,000	4.67		0.60	May 29, 2024
20,000	315,000	4.98		0.45	Sep 19, 2024
2,970,000	3,775,000	4.48	$	0.58	

17. Warrants

	Number of Warrants		Amount
Balance, September 30, 2017 and September 30, 2018	-	$	-
Granted pursuant to the Arrangement (Note 1) (a)	5,701,526		-
Private placement (b)	56,052,421		11,277,103
Granted (c) (d) (e) (f) (g) (h)	798,391		157,624
Exercised	(2,607,764)		-
Balance, September 30, 2019	59,944,574	$	11,434,727

(a) On February 5, 2019, the Corporation granted 5,701,526 Warrants pursuant to the Arrangement at an exercise price of $Nil per MPXI Share and expiring between April 4, 2019 and June 8, 2023. The grant did not have an impact to warrants.

(b) On March 25, 2019, the Corporation completed the Offering for gross proceeds of $26,905,162 through the issuance of 56,042,421 Units at a price of $0.48 per Unit. Each Unit issued in the Offering consists of one MPXI Share and one Warrant. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $0.60 per MPXI Share for a period of 5 years. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 91.88%; (iii) risk-free interest rate of 1.56%; (iv) share price of $0.66; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.

(c) On March 20, 2019, the Corporation granted 12,799 Warrants. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $Nil per MPXI Share and expire on February 25, 2021. This grant was recorded at $Nil. All of these Warrants were exercised immediately.

(d) On April 1, 2019, the Corporation granted 168,032 Warrants. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $Nil per MPXI Share and expire on December 22, 2019. This grant was recorded at $Nil. All of these Warrants were exercised immediately.

(in Canadian dollars)

17. Warrants (continued)

(e) On April 10, 2019, the Corporation granted 4,281 Warrants. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $Nil per MPXI Share and expire on May 25, 2021. This grant was recorded at $Nil.

(f) On July 16, 2019, the Corporation acquired a 20% investment in Kaajenga (Note 12) and granted 245,098 Warrants as part of the consideration. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $0.61 per MPXI Share and expire on July 16, 2024. The fair value of the Warrants has been estimated at $70,275 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 83.79%; (iii) risk-free interest rate of 1.51%; (iv) share price of $0.47; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.

(g) On August 6, 2019, the Corporation granted 68,181 Warrants to settle a portion of contingent consideration related to the acquisition of Spartan (Notes 5 and 14). Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $0.77 per MPXI Share and expire on August 6, 2022. The fair value of the Warrants has been estimated at $10,918 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 78.99%; (iii) risk-free interest rate of 1.51%; (iv) share price of $0.43; forfeiture rate of 0; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies. The Corporation recorded the fair value of the warrants of $10,918 against contingent consideration payable on the consolidated statements of financial position.

(h) On August 6, 2019, the Corporation completed the acquisition of Alphafarma (Note 5) and granted 300,000 Warrants as part of the consideration. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $0.63 per MPXI Share and expire on August 6, 2024. The fair value of the Warrants has been estimated at $76,432 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 83.62%; (iii) risk-free interest rate of 1.21%; (iv) share price of $0.43; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.

The following table reflects the outstanding Warrants as at September 30, 2019:

	Number of Warrants	Exercise price	Expiry date
(i)	352,592	$ -	Dec 7, 2019
(ii)	1,025,459	-	Dec 22, 2019
	407,734	-	May 25, 2021
	11,411	-	Oct 01, 2021
	234,262	-	Jan 19, 2022
	588	-	May 05, 2022
	68,181	0.77	Aug 6, 2022
	180,000	-	Oct 30, 2022
	470,000	-	Mar 02, 2023
	596,828	-	Jun 08, 2023
	56,052,421	0.60	Mar 21, 2024
	245,098	0.61	Jul 16, 2024
	300,000	0.63	Aug 6, 2024
	59,944,574	$ 0.57	

(i) Subsequent to the year ended September 30, 2019, 352,592 warrants expired.
(ii) Subsequent to the year ended September 30, 2019, 604,042 warrants were exercised and 421,417 warrants expired.
(iii) Subsequent to the year ended September 30, 2019, the Corporation granted 8,560 warrants at an exercise price of $Nil and expiring on December 22, 2019. The warrants were exercised on grant

(in Canadian dollars)

18. General and administrative

	Year Ended September 30, 2019	September 30, 2018
Occupancy costs	**$ 668,282**	$ 299,361
Consulting fees	**2,865,663**	42,394
Office and general	**1,511,573**	106,851
Repairs and maintenance	**142,023**	4,606
Salaries and benefits	**2,341,916**	308,570
Project costs	**51,173**	68,487
Sales and marketing	**948,175**	108,562
Regulatory expenses	**127,909**	19,987
	$ 8,656,714	$ 958,818

19. Income taxes

The amounts for income taxes recognized in the consolidated statements of net loss and comprehensive loss are as follows:

	September 30, 2019	September 30, 2018
Income taxes comprises:		
Current tax expense	**$ -**	$ -
Deferred tax expense	**258,000**	-
Income tax expense	**$ 258,000**	$ -

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2017 - 26.5%) to the income for the year and is reconciled as follows:

	September 30, 2019	September 30, 2018
Loss before income taxes	**$ (9,120,406)**	$ (2,105,197)
Expected tax rate	**26.5%**	26.5%
Expected income tax benefit based on statutory rate	**(2,416,908)**	(557,877)
Adjustment to expected tax benefit:		
Effect of tax rates in foreign jurisdictions	**(322,064)**	-
Non-deductible expenses	**452,578**	-
Non-taxable items	**(436,362)**	-
Share-based compensation	**348,473**	123,568
Other	**(102,711)**	-
Change in benefit of tax assets not recognized	**2,734,994**	434,309
Income tax expense	**$ 258,000**	$ -

The tax rate above is computed using the statutory Canadian tax rate based on Federal and Ontario rates.

(in Canadian dollars)

19. Income taxes (continued)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The effect of temporary differences and loss carry-forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended September 30, 2019 are as follows:

	September 30, 2018	Recognized in Net Income (loss	Recognized directly in equity or OCI	Business combinations	September 30, 2019
Deferred tax assets					
Loss carry forwards	$ -	$ 487,552	$ -	$ 409,220	$ 896,772
Other	-	7,398	-	27,368	34,766
Deferred tax assets	$ -	$ 494,950	$ -	$ 436,588	$ 931,538
Deferred tax liabilities					
Property, plant and equipment	$ -	$ (58,156)	$ -	$ 917	$ (57,239)
Intangible assets	-	296,456	-	(671,913)	(375,457)
Biological assets	-	(834,199)	-	(99,272)	(933,471)
Inventories	-	(157,051)	-	(143,653)	(300,704)
Deferred tax liabilities	$ -	$ (752,950)	$ -	$ (913,921)	$ (1,666,871)
Net deferred tax liability	$ -	$ (258,000)	$ -	$ (477,333)	$ (735,333)

The following deductible temporary differences and non-capital loss carry-forwards have not been recognized in the consolidated financial statements:

	September 30, 2019	September 30, 2018
Unutilized non-capital losses	**$ 10,276,013**	$ 1,498,266
Investments in equity accounted investments	**128,429**	-
Share issuance costs	**427,002**	533,752
Lease inducement	**851,034**	973,908
Income tax recovery	**$ 11,682,478**	$ 3,005,926

(in Canadian dollars)

19. Income taxes (continued)

MPXI has unutilized non-capital losses available for carry-forward in Canada and Switzerland. The operating losses will expire as follows:

	September 30, 2019
2025	$ 1,072,471
2026	2,796,911
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	90,714
2034	354,634
2035	325,138
2036	850,197
2037	718,721
2038	403,991
2039	9,232,651
Total	$ 15,845,428

20. Related party transactions

As at September 30, 2019, the Corporation was owed $413,838 (September 30, 2018 - $Nil) from its associate Kaajenga. This amount was provided to finance the operations of Kaajenga.

For the year ended September 30, 2019, key management and directors of the Corporation subscribed to 11,487,645 of the total 56,052,421 Units issued as part of the Offering, representing an investment amount of $5,514,070.

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Corporation. Remuneration of directors and key management personnel of the Corporation was as follows:

	Year Ended	
	September 30, 2019	September 30, 2018
Salaries and benefits	**$ 925,109**	$ 140,092
Share-based compensation	**818,669**	318,317
	$ 1,743,778	$ 458,409

The above noted transactions are in the normal course of business and were made on terms equivalent to those that prevail in an arm's length transaction. The amounts are agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At September 30, 2019, each of the directors with control of less than 10% of the MPXI Shares collectively control 16,026,124 MPXI Shares or approximately 11.86% of the total MPXI Shares outstanding.

(in Canadian dollars)

21. Commitments and contingencies

Leases

The Corporation's minimum lease payments are as follows:

2020	$	956,518
2021		958,586
2022		978,521
2023		782,613
2024		507,893
2025 and beyond		733,734
	$	**4,917,865**

22. Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity (September 30, 2019: $69,337,207 and September 30, 2018: $26,115,553). The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2019. The Corporation is not subject to any external capital requirements.

23. Financial instruments - Fair values and risk management

Fair values

The carrying values of cash, restricted cash, accounts receivable, accounts payable, accrued liabilities, and short-term loans are a reasonable approximation of their fair values due to their short-term to maturity. The carrying amounts of the contingent consideration payable (refer to Note 14) and the derivative financial instruments (i.e. the buy/sell agreements with the sellers of Kaajenga) are recorded at fair value. The fair value of the derivative financial instruments is determined using significant unobservable inputs (i.e. level 3) and is considered to be $Nil at the initial measurement date and September 30, 2019 as there is no evidence that would suggest that there was any intent to pay a premium or discount for the turnkey video learning and engagement platform for the cannabis industry that was going to be developed by Kaajenga. As the parties were acting at arm's length, the positioning of the two groups would suggest that the protection granted to MPXI related to development risk (small upfront payment with control around the terms of an acceptable solution as defined by the Milestones) were equally matched by Kaajenga's belief that it could leverage its existing private network experience and past solutions in other sectors, and as a result it would be able to accept MPXI's commitment to buy the remaining 80% once it was completed.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in market prices. MPXI's market risk relates to the impact of changes in foreign currency exchange rates, and changes in market prices due to other factors. Financial instruments held by the Corporation that are subject to market risk include cash, accounts receivable and derivative financial instruments.

23. Financial instruments - Fair values and risk management (continued)

Foreign currency risk

Currency risk is the risk that the fair value or future cash flow will fluctuate as a result of changes in foreign exchange rates. The Corporation's functional currency is the Canadian dollar. The Corporation has exposure to the U.S. dollar, Euro, Swiss Franc, Australian dollar, British Pounds and certain other currencies through its investments in foreign operations. Consequently, fluctuations in the Canadian dollar exchange rate against these currencies increase the volatility of net income and other comprehensive income.

The Corporation's exposure to foreign currency risk at the end of the reporting period, expressed in Canadian dollar, was as follows:

	CAD	EUR	AUD	USD	CHF
Cash	$ 4,206,033	$ 293,545	$ 177,149	$ 11,387,187	$ 292,975
Restricted cash	40,000	72,190	-	-	-
Amounts receivable	1,015,504	-	27,041	-	37,009
Due from related parties	413,838	-	-	-	-
Accounts payable and accrued liabilities	2,161,202	-	136,779	-	926,802
Short term loans	-	-	-	-	1,044,373

In relation to MPXI's operations, the Corporation is mainly exposed to the Swiss Franc and a 10% increase or decrease in the Swiss Franc against the Canadian dollar would result in a decrease or increase in net loss and comprehensive loss of approximately $259,220 for the year ended September 30, 2019 ($Nil for the year ended September 30, 2018). At September 30, 2019, the Corporation has not entered into any hedging agreements or purchased any financial instruments to hedge its foreign currency risk.

Interest rate risk

The Corporation, through HolyWeed, has short-term loans of $1,044,373. The short-term loans are financial liabilities that are interest-bearing. These financial liabilities have a maturity date of December 31, 2019 and bear an interest rate of 12%. However, this interest rate is subject to a premium of up to 76% depending on certain EBITDA targets of HolyWeed. Given the short-term nature of these financial liabilities and the limited amount of financial liabilities, the Corporation does not bear any significant interest rate risk.

Other market risk

The Corporation holds other financial assets and liabilities in the form of derivative financial instruments that are measured at FVTPL. This relates to the buy/sell agreements with Kaajenga sellers (refer to Note 12). The Corporation is exposed to market risk on these financial assets, which is the risk of variability in fair value due to movements in the underlying company value of Kaajenga.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At September 30, 2019, MPXI had $16,356,889 (September 30, 2018 - $164,579) of (unrestricted) cash and a working capital of $22,543,077 (September 30, 2018 - $499,240).

(in Canadian dollars)

23. Financial instruments - Fair values and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to MPXI if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from MPXI's accounts receivable. The carrying amount of cash of $16,469,079 (September 30, 2018 - $164,579) and accounts receivable of $1,079,554 (September 30, 2018 - $331,214) represent the maximum exposure to credit risk. The cash balances are held by Canadian, Swiss and Australian banks. MPXI does not have significant exposure to any individual customer and has expected credit losses $36,983 at September 30, 2019 (September 30, 2018 - $Nil).

24. Segmented information and entity-wide disclosures

The Corporation currently operates substantially entirely in one segment, the medical and adult use cannabis operations.

Geographic information about non-current assets other than financial instruments

	2019	2018
Canada	$ 29,435,793	$ 26,569,832
Switzerland	16,604,834	-
Australia	640,450	-
Malta	2,637,303	-
	$ 49,318,380	$ 26,569,832

25. Subsequent events

(a) On November 6, 2019, the Corporation announced that MPX Australia has been issued a Cannabis Manufacture Licence by the Australian Office of Drug Control.

(b) On December 3, 2019 the Corporation announced it exercised its call options and accelerated the acquisition of the remaining 80% interest of Kaajenga and the Corporation will acquire all remaining shares for a purchase price of $1,750,000. In accordance with the buy/sell agreements, the purchase price will be satisfied through the issuance of 3,224,247 units (the "Units") of MPXI at a price of $0.51 per Unit (for 2,696,078 Units) and $0.71 per Unit (for 528,169 Units). Each Unit will be comprised of one common share in the capital of MPXI (an "MPXI Share") and one (1) common share purchase share warrant ("Warrant"). Each Warrant shall entitle the holder to purchase one (1) MPXI Share ("Warrant Shares") at an exercise price of $0.61 per Warrant Share for five (5) years from the date of issuance.

(c) On January 27, 2020, the Corporation announced that MPX Australia has been awarded a Medicinal Cannabis Licence from the Australian Office of Drug Control ("ODC"). Upon receipt of the Medicinal Cannabis Licence, the first milestone relating to the Acquisition of MPX Australia was achieved (see Note 5).