

Interim condensed consolidated financial statements

MPX International Corporation

Three and six months ended March 31, 2020

(unaudited)

**Notice of No Auditor Review of Interim Condensed Financial Statements**

In accordance with National Instrument 51-102, the Corporation discloses that its external auditors have not reviewed the accompanying interim condensed consolidated financial statements of MPX International Corporation.

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**MPX International Corporation****Interim condensed consolidated statements of financial position (unaudited)**

(in Canadian dollars)

As at

March 31,  
2020September 30  
2019 <sup>(1)</sup>**Assets**

## Current

Cash	\$ 1,814,265	\$ 16,356,889
Accounts receivable (Note 6)	1,715,262	1,079,554
Inventory (Note 7)	12,455,379	2,561,127
Biological assets (Note 8)	514,973	6,404,755
Prepaid expenses	681,719	359,300
Deposits	400,920	622,206
Due from related parties	-	413,838

## Total current assets

17,582,518 27,797,669

## Non-current

Restricted cash	117,920	112,190
Property, plant and equipment (Note 9)	7,862,147	4,303,932
Right-of-use assets (Note 4)	5,028,271	-
Intangible assets (Note 10)	29,076,300	26,162,000
Goodwill (Note 11)	19,711,667	18,270,892
Equity accounted investees (Note 12)	-	278,937
Deposits	451,051	302,619

## Total non-current assets

62,247,356 49,430,570**Total assets****\$ 79,829,874** **\$ 77,228,239****Liabilities**

## Current

Accounts payable and accrued liabilities (Note 13)	\$ 4,379,951	\$ 3,224,783
Short-term loans	212,736	1,044,373
Right-of-use liabilities (Note 4)	1,214,460	-
Due to related party (Note 22)	41,722	-
Contingent consideration payable (Note 14)	132,785	985,436
Promissory note (Note 15)	709,350	-

## Total current liabilities

6,691,004 5,254,592

## Non-current

Lease inducement	-	868,518
Contingent consideration payable (Note 14)	380,950	935,164
Right-of-use liabilities (Note 4)	4,748,065	-
Other non-current liabilities	110,314	97,425
Deferred tax liabilities (Note 21)	387,839	735,333

## Total non-current liabilities

5,627,168 2,636,440**Total liabilities****12,318,172** **7,891,032****Equity**

Share capital (Note 16)	66,136,348	63,604,342
Warrants (Note 18)	12,200,672	11,434,727
Contributed surplus	1,428,321	1,278,436
Accumulated other comprehensive loss	1,643,975	(66,918)
Deficit	(13,576,939)	(6,798,266)
Equity attributable to shareholders of the Corporation	67,832,377	69,452,321
Non-controlling interests	(320,675)	(115,114)

**Total equity**67,511,702 69,337,207**Total liabilities and equity****\$ 79,829,874** **\$ 77,228,239**

Commitments and contingencies (Note 14) and Subsequent events (Note 25). On Behalf of the Board:

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

<sup>(1)</sup> The Corporation has initially applied IFRS 16 at October 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application (see Note 4).

See accompanying notes to the unaudited interim condensed consolidated financial statements.

## MPX International Corporation

### Interim condensed consolidated statements of changes in equity (unaudited)

(in Canadian dollars)

Six months ended March 31, 2020

	<u>Share capital</u>	<u>Owner's net investment</u>	<u>Warrants</u>	<u>Contributed surplus</u>	<u>Accumulated other comprehensive income</u>	<u>Non controlling interest</u>	<u>Deficit</u>	<u>Total</u>
Balance, October 1, 2018	\$ -	\$ 26,115,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,115,553
Private placement	15,628,060	-	11,277,103	-	-	-	-	26,905,163
Share issuance costs - warrants	(117,271)	-	-	-	-	-	-	(117,271)
Consulting fees	-	-	-	150,737	-	-	-	150,737
Share-based compensation	-	195,997	-	1,034,379	-	-	-	1,230,376
Contributions and net change in owner's investment	-	7,840,755	-	-	-	-	-	7,840,755
Transfer to MPXI share capital	31,921,220	(31,921,220)	-	-	-	-	-	-
Net loss and comprehensive loss for the period	-	(2,231,085)	-	-	86,997	-	(2,848,683)	(4,992,771)
Balance, March 31, 2019 <sup>(1)</sup>	<u>\$ 47,432,009</u>	<u>\$ -</u>	<u>\$ 11,277,103</u>	<u>\$ 1,185,116</u>	<u>\$ 86,997</u>	<u>\$ -</u>	<u>\$ (2,848,683)</u>	<u>\$ 57,132,542</u>
Balance, October 1, 2019	\$ 63,604,342	\$ -	\$ 11,434,727	\$ 1,278,436	\$ (66,918)	\$ (115,114)	\$ (6,798,266)	\$ 69,337,207
Acquisition	1,402,547	-	765,945	-	-	-	-	2,168,492
Consulting fees	-	-	-	79,583	-	-	-	79,583
Share-based compensation	-	-	-	70,302	-	-	-	70,302
Settlement of contingent consideration	1,129,459	-	-	-	-	-	-	1,129,459
Net loss and comprehensive loss for the period	-	-	-	-	1,710,893	(205,561)	(6,778,673)	(5,273,341)
Balance, March 31, 2020	<u>\$ 66,136,348</u>	<u>\$ -</u>	<u>\$ 12,200,672</u>	<u>\$ 1,428,321</u>	<u>\$ 1,643,975</u>	<u>(320,675)</u>	<u>\$ (13,576,939)</u>	<u>\$ 67,511,702</u>

<sup>(1)</sup> The Corporation has initially applied IFRS 16 at October 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application (see Note 4).

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**MPX International Corporation**  
**Interim condensed consolidated statements of net loss and comprehensive loss**  
**(unaudited)**

(in Canadian dollars)

	Three Months Ended		Six Months Ended	
	March 31, 2020	March 31, 2019 <sup>(1)</sup>	March 31, 2020	March 31, 2019 <sup>(1)</sup>
Gross revenue	\$ 793,450	\$ 212,201	\$ 1,418,938	\$ 468,773
Excise taxes	<u>(5,066)</u>	-	<u>4,113</u>	-
Net revenue	798,516	212,201	1,414,825	468,773
Cost of sales (Note 7)	<u>185,413</u>	<u>8,369</u>	<u>250,117</u>	<u>25,620</u>
Gross profit before unrealized gain from changes in fair value of biological assets	613,103	203,832	1,164,708	443,153
Unrealized gain from changes in fair value of biological assets (Note 8)	<u>380,193</u>	<u>64,160</u>	<u>1,245,436</u>	<u>349,904</u>
Gross profit	<u>993,296</u>	<u>267,992</u>	<u>2,410,144</u>	<u>793,057</u>
Operating expenses				
General and administrative (Note 20)	3,372,799	1,916,284	7,236,180	2,731,358
Professional fees	444,216	435,292	1,289,267	752,822
Share-based compensation (Note 17)	30,130	1,034,694	70,302	1,230,376
Amortization and depreciation (Notes 4,9 and 10)	<u>945,252</u>	<u>276,916</u>	<u>2,398,799</u>	<u>368,657</u>
	<u>4,792,397</u>	<u>3,663,186</u>	<u>10,994,548</u>	<u>5,083,213</u>
Loss from operations	<u>(3,799,101)</u>	<u>(3,395,194)</u>	<u>(8,584,404)</u>	<u>(4,290,156)</u>
Other expenses (income)				
Foreign exchange	(802,891)	(46,942)	(656,251)	(80,889)
Interest income	(2,637)	(150)	(14,091)	(150)
Share of loss of equity accounted investees (Note 12)	-	15,966	33,470	72,477
Interest and financing charges	124,856	419	297,629	776
Accretion expense (Note 14)	22,940	28,450	71,356	102,527
Change in fair value of contingent consideration payable (Note 14)	(879,855)	(309,690)	(1,478,221)	51,607
Loss on disposal of property, plant and equipment	108,417	-	108,417	71,037
Transaction costs	<u>282,272</u>	<u>506,398</u>	<u>405,086</u>	<u>560,949</u>
Total other (income) expenses	<u>(1,146,898)</u>	<u>194,451</u>	<u>(1,232,605)</u>	<u>778,334</u>
<b>Net loss before income taxes</b>	<b>\$ (2,652,203)</b>	<b>\$ (3,589,645)</b>	<b>\$ (7,351,799)</b>	<b>\$ (5,068,490)</b>
Income tax (recovery) expense	<u>(124,034)</u>	<u>11,278</u>	<u>(367,565)</u>	<u>11,278</u>
<b>Net loss</b>	<b>\$ (2,528,169)</b>	<b>\$ (3,600,923)</b>	<b>\$ (6,984,234)</b>	<b>\$ (5,079,768)</b>
Other comprehensive income (loss) that may be reclassified to net profit or loss				
Exchange differences on translation of foreign operations	<u>1,507,841</u>	<u>82,694</u>	<u>1,710,893</u>	<u>86,997</u>
<b>Total comprehensive loss for the period</b>	<b>\$ (1,020,328)</b>	<b>\$ (3,518,229)</b>	<b>\$ (5,273,341)</b>	<b>\$ (4,992,771)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Corporation	(863,907)	(3,518,229)	(5,067,780)	(4,992,771)
Non-controlling interests	<u>(156,421)</u>	-	<u>(205,561)</u>	-
Loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>	<u>\$ (0.04)</u>	<u>\$ (0.27)</u>
Basic and diluted weighted average number of shares outstanding	<u>140,684,189</u>	<u>33,974,840</u>	<u>138,477,120</u>	<u>18,531,731</u>

<sup>(1)</sup> The Corporation has initially applied IFRS 16 at October 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application (see Note 4).

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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**MPX International Corporation****Interim condensed consolidated statements of cash flows (unaudited)**

(in Canadian dollars)

**Six months ended March 31,****2020****2019 <sup>(1)</sup>**

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Net loss	\$ (6,984,234)	\$ (5,079,768)
Items not affecting cash:		
Amortization and depreciation	2,398,799	415,038
Share-based compensation	70,302	1,230,376
Accretion expense	71,356	102,527
Interest and financing charges	284,320	-
Change in fair value of contingent consideration payable	(1,478,221)	51,607
Share of loss of joint venture	33,470	72,477
Deferred income tax (recovery) expense	(367,565)	11,278
Consulting fees settled via equity instruments	79,583	150,737
Loss on disposal of property, plant and equipment	108,417	114,119
Change in other non-current liabilities	12,889	-
Unrealized foreign exchange gain	(1,864,181)	82,918
Unrealized gain from changes in fair value of biological assets	(1,245,436)	(349,904)
	<u>(8,880,501)</u>	<u>(3,198,595)</u>
Changes in non-cash working capital:		
Accounts receivable	(395,003)	(560,177)
Inventory and biological assets	(2,017,146)	(341,738)
Prepaid expenses and deposits	29,390	(103,550)
Accounts payable and accrued liabilities	952,576	1,004,445
Lease inducement	-	(51,742)
	<u>(1,430,183)</u>	<u>(52,762)</u>
<b>Net cash used in operating activities</b>	<b><u>(10,310,684)</u></b>	<b><u>(3,251,357)</u></b>
<b>Investing activities</b>		
Cash acquired through the acquisition of subsidiaries	150,987	-
Purchase of property, plant and equipment	(2,060,243)	(145,376)
<b>Net cash used in investing activities</b>	<b><u>(1,909,256)</u></b>	<b><u>(145,376)</u></b>
<b>Financing activities</b>		
Funds received pursuant to the arrangement	-	5,239,591
Contributions and change in owner's net investment	-	1,457,835
Proceeds from private placement	-	26,905,163
Share issuance costs on private placement	-	(117,271)
Due to related parties	41,722	-
Lease payments	(702,802)	-
Financing provided to acquisition targets	(2,142,169)	-
Repayment of short-term loans	(945,111)	-
Interest paid	(63,255)	-
<b>Net cash provided by financing activities</b>	<b><u>(3,811,615)</u></b>	<b><u>33,485,318</u></b>
(Decrease) increase in cash	(16,031,555)	30,088,585
Cash, beginning of period	16,356,889	164,579
Effect of exchange rate fluctuations on cash held	1,488,931	-
Cash, end of period	\$ <u>1,814,265</u>	\$ <u>30,253,164</u>

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<sup>(1)</sup> The Corporation has initially applied IFRS 16 at October 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in retained earnings at the date of initial application (see Note 4).

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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# **MPX International Corporation**

## **Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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### **1. Nature of operations and going concern**

#### **Background**

2660528 Ontario Inc. was incorporated on October 17, 2018 and changed its name to MPX International Corporation ("MPXI" or the "Corporation") on November 13, 2018. On February 5, 2019, MPXI completed a spin-out transaction, pursuant to a plan of arrangement (the "Arrangement") with MPX Biocetical Corporation ("MPX") and iAnthus Capital Holdings Inc. ("iAnthus"). The Corporation's common shares (the "MPXI Shares") commenced trading on the Canadian Securities Exchange under the ticker symbol 'MPXI' on February 6, 2019.

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.

#### **Going concern**

The Corporation's continued existence as a going concern is dependent upon, amongst other things, its ability to continue to obtain adequate ongoing debt and/or equity financing with creditors, officers, directors, and stakeholders. In addition, the Corporation must also ultimately become profitable. These unaudited interim condensed financial statements have been prepared on the basis that the Corporation is a going concern and do not include adjustments that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments may be material.

During the three and six months ended March 31, 2020, the Corporation incurred a net loss of \$2,371,748 and \$6,778,673, respectively (three and six months ended March 31, 2019 – net loss of \$3,600,923 and 5,079,768, respectively), and as of March 31, 2020, the Corporation has an accumulated deficit of \$13,576,939 (September 30, 2019 – \$6,798,266). The ability of the Corporation to carry out its business plan rests with its ability to secure additional equity and other financing. Although the Corporation has been successful in obtaining financing from related parties and private placements in the past, the Corporation will likely require continued support. These material uncertainties cast significant doubt about the Corporation's ability to continue as a going concern.

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### **2. Basis of preparation**

#### **Statement of compliance**

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Corporation's last annual consolidated financial statements as at and for the year ended September 30, 2019 ("Last Annual Financial Statements"). They do not include all information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation's financial position and performance since the Last Annual Financial Statements.

These unaudited interim condensed financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on July 10, 2020.

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# MPX International Corporation

## Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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### 3. Significant accounting policies

#### (a) Critical accounting judgements and estimates

In preparing these unaudited interim condensed financial statements, the Corporation's management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Corporation's management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in the Last Annual Financial Statements, except for the new significant judgements related to the lessee accounting under IFRS 16, which is described in Note 4.

#### *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 valuers 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 Note 23.

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### 4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Last Annual Financial Statements.

The changes in accounting policies are also expected to be reflected in the Corporation's consolidated financial statements as at and for the year ending September 30, 2020.

The Corporation has initially adopted IFRS 16 Leases on October 1, 2019. Several other new standards are effective for the Corporation beginning October 1, 2019, however they did not have a material effect on the Corporation's financial statements.

#### *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.

Previously, the Corporation determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Corporation now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Corporation applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after October 1, 2019. At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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# MPX International Corporation

## Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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### 4. Changes in significant accounting policies (continued)

#### *IFRS 16 – Leases (continued)*

The Corporation leases assets, i.e. properties and facilities. As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. However, the Corporation has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Corporation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Corporation presents right-of-use assets separately from 'property, plant and equipment' which includes the underlying assets. As at March 31, 2020, the carrying amount of property right-of-use assets is \$5,028,271 (October 1, 2019 – \$4,143,052). The Corporation presents lease liabilities separately from other liabilities in the statement of financial position.

#### Significant accounting policies

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and adjusted for impairment losses as well as certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation makes assumptions and estimations in the determination of the incremental borrowing rates used to calculate the present value of lease payments. Further, it has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, the Corporation classified property leases as operating leases under IAS 17. The leases include offices and stores, for which the Corporation makes fixed monthly payments. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at October 1, 2019. The Corporation measures the right-of-use assets for all leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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**4. Changes in significant accounting policies (continued)***Impacts on transition*

On transition to IFRS 16, the Corporation recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	<u>Sept 30, 2019</u>
Right-of-use assets	\$ 4,143,052
Lease liabilities	\$ 5,011,571

The difference between the right-of-use assets and additional lease liabilities on transition does not result in an impact on retained earnings. This is explained by the previously recorded lease inducements. The previously recorded lease inducement liabilities derecognized and included in the right-of-use assets on transition.

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at October 1, 2019. The weighted-average rate applied is 8.27%.

	<u>Sept 30, 2019</u>
Operating lease commitment at Sept 30, 2019	\$ 4,917,865
Extension options reasonably certain to be exercised	1,395,334
Inclusion of non-lease components in the lease payments	199,631
Discounted using the incremental borrowing rate at Oct 1, 2019	<u>(1,501,259)</u>
Lease liability at Oct 1, 2019	\$ <u>5,011,571</u>

A continuity of right-of-use assets for the six months ended March 31, 2020, is as follows:

	<u>Mar 31, 2020</u>
Right-of-use assets at Oct 1, 2019	\$ 4,143,052
Lease additions	1,197,613
Amortization for the period	(501,411)
Net foreign exchange differences	<u>189,017</u>
Right-of-use assets at Mar 31, 2020	\$ <u>5,028,271</u>

A continuity of right-of-use liabilities for the six months ended March 31, 2020, is as follows:

	<u>Mar 31, 2020</u>
Right-of-use liabilities at Oct 1, 2019	\$ 5,011,571
Lease additions	1,197,613
Lease payments	(702,802)
Interest expense on lease liabilities	220,445
Net foreign exchange differences	<u>235,698</u>
Right-of-use liabilities at Mar 31, 2020	\$ <u>5,962,525</u>
Current portion – payable within 12 months	\$ 1,214,460
Non-current portion	<u>4,748,065</u>
Right-of-use liabilities at Mar 31, 2020	\$ <u>5,962,525</u>

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows

Less than one year	\$ 1,454,744
One to five years	4,372,572
More than five years	<u>1,494,394</u>
Total undiscounted lease liabilities at March 31, 2020	\$ <u>7,321,710</u>

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# MPX International Corporation

## Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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### 5. Acquisitions

#### (a) Business combinations completed in the six months ended March 31, 2019

##### Acquisition of Spartan

On October 22, 2018, 100% of Spartan Wellness Corporation were acquired by the Corporation (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. The Corporation 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 Canveda Inc. ("Canveda"), a wholly-owned subsidiary of MPXI and a licenced cultivator, processor and seller under the *Cannabis Act* (Canada) (the "Cannabis Act"). 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 licenced producers that supply its patients with cannabis.

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

- 1) The total aggregate sales attributable to Spartan of 200,000 Cannabis Sales Units<sup>1</sup> during the period beginning on the Spartan Closing Date and ending on the date that is twenty-four (24) months from July 29, 2019 being the date on which Canveda became fully licenced to produce, distribute and sell cannabis (the "Sales Period") attributable to the Spartan (achieved);
- 2) The total aggregate sales attributable to Spartan of 485,000 Cannabis Sales Units<sup>1</sup> 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<sup>1</sup> 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<sup>1</sup> during the Sales Period of which 570,000 are sold by Canveda

<sup>1</sup> "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, 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 licenced 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.

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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#### 5. Acquisitions (continued)

##### (a) Business combinations completed in the six months ended March 31, 2019 (continued)

###### *Acquisition of Spartan (continued)*

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

###### (i) Goodwill

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

###### (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 March 31, 2020. The fair value of the MPX Bio Shares is estimated using the quoted share price of \$1.04 at the date of acquisition. The fair value of the MPX Bio 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 Bio 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 \$422,017 and net profit of \$43,050 to the Corporation for the period from October 22, 2018 to March 31, 2019. If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and net profit for the six months ended March 31, 2019 would have been \$424,868 and \$11,401, 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 Bio Shares as well as 5,434 MPX Bio Warrants exercisable at \$1.15 for a period of three years. The transaction costs have been expensed as they were incurred.

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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#### 5. Acquisitions (continued)

##### (b) Asset acquisitions completed in the six months ended March 31, 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 (granted);
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. On February 3, 2020, the Corporation issued 2,689,189 MPXI shares as consideration for the satisfaction of the first milestone (see Note 15). The common shares were measured at fair value using the quoted share price of \$0.42 on the date of issue for a total of \$1,129,459 and has been recorded in intangible assets.

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		<u>(423,612)</u>
Net assets acquired	\$	<u>137,392</u>
Previously held interest (carry-over basis)	\$	-
Common shares		<u>137,392</u>
Total consideration paid for acquisition	\$	<u>137,392</u>

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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#### 5. Acquisitions (continued)

##### (c) Asset acquisitions completed in the six months ended March 31, 2020

###### Acquisition of Kaajenga

On December 3, 2019, the Corporation completed the acquisition of all of the remaining outstanding shares (80%) of 2702148 Ontario Inc. dba Kaajenga Cannabis ("Kaajenga"). On December 3, 2019, the Corporation obtained control of Kaajenga (the "Kaajenga Acquisition"), securing the exclusive rights to a turnkey video learning and engagement platform for the cannabis industry. At the date of acquisition, Kaajenga had developed and was 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.

The total purchase price for the Kaajenga Acquisition is paid through the issuance of 3,224,247 MPXI Shares and 3,224,247 MPXI share purchase warrants to the shareholders of Kaajenga. 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 for a period of 5 years.

The Kaajenga Acquisition has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of Kaajenga on December 3, 2019, which have been recorded at their relative fair values:

Intangible asset	\$ 3,048,094
Accounts payable and accrued liabilities	(80,905)
Short-term loan	<u>(494,285)</u>
Net assets acquired	\$ <u>2,472,904</u>
Previously held interest (carry-over basis) (Note 12)	\$ 245,467
MPXI Shares (Note 16)	1,402,547
Warrants (Note 18)	765,945
Transaction costs	<u>58,945</u>
Total consideration paid for acquisition	\$ <u>2,472,904</u>

###### Acquisition of First Growth

On February 19, 2020, the Corporation completed the acquisition of 80% of the issued and outstanding shares of First Growth Holdings Proprietary Limited ("First Growth"), pursuant to the terms and conditions of an investment agreement dated February 19, 2020 and royalty agreement dated February 19, 2020 (the "First Growth Acquisition").

The total purchase price for the First Growth Acquisition is paid through the issuance of warrants with a total exercise price of up to US \$5,000,000, royalty payments paid on a quarterly basis, and a put option on an outstanding note payable due from First Growth to Simonsberg Cannabis Proprietary Limited ("Simonsberg"), the 20% shareholder of First Growth. Transaction costs of \$508,142 were incurred relating to the acquisition.

The warrants are to be issued in tranches upon the satisfaction of certain milestones to Simonsberg for a term of three years at an exercise price equal to the greater of (a) C\$0.35 with respect to Warrant B and C and C\$0.42 with respect to Warrant D, E and F; and (b) the 5-day volume average weighted price ("WWAP") on the day the respective milestone is met, unless otherwise indicated below:

1. Warrant A: Total exercise price of US\$500,000 on receipt of a cultivation, import/export license (the "License") from the South African Health Products Regulatory Authority ("SAHPRA"). The warrants will have an exercise price equal to C\$0.35 per MPXI Share.
2. Warrant B: Total exercise price of US\$500,000 on receipt of the License.

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# MPX International Corporation

## Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

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### 5. Acquisitions (continued)

#### (c) Asset acquisitions completed in the six months ended March 31, 2020 (continued)

##### *Acquisition of First Growth (continued)*

3. Warrant C: Total exercise price of US\$1,000,000 upon successful cultivation and processing of 1,000 kg of Good Agricultural and Collection Practices (“GACP”) grade dried flower.
4. Warrant D: Total exercise price of US\$1,500,000 upon successful cultivation and processing of a further 5,000 kg of GACP grade dried flower.
5. Warrant E: Total exercise price of US\$500,000 on the earlier of (i) receipt of an extraction and manufacturing license from SAHPRA and (ii) 12 months from the date that First Growth receives the License, if MPXI has not approved plans to build and fund an EU-GMP compliant extraction and manufacturing facility.
6. Warrant F: Total exercise price of US \$1,00,000 on the earlier of (i) delivery of 100 kg EU-GMP grade cannabis extract through First Growth’s lab facility and (ii) 12 months from the date that First Growth receives the License, if MPXI has not approved plans to build and fund an EU-GMP compliant extraction and manufacturing facility.

The number of Warrants to be issued will be calculated using the currency of conversion exchange posted by the Bank of Canada as at the date of the achievement of the applicable milestone and dividing the total exercise price by the exercise price of the warrants.

Royalty payments will be paid as follows:

1. Up to the February 19, 2022, quarterly royalty payments of US \$0.10 per gram of shipped dried cannabis flower.
2. From February 20, 2022 until the termination of the agreement quarterly royalty payments of US \$0.10 per gram shipped dried cannabis flower and US \$0.10 per gram of dried cannabis flower held in the vault for 120 days after the period end.

The Corporation will have the option to buy out the royalty agreement 2 years after the successful cultivation and processing of 1,000 kg of GACP grade dried flower. The buy-out fee will be calculated as the greater of (i) US\$1,500,000 or (ii) the royalty fee actually paid and received during the prior 12 months multiplied by an NPV factor of 3.5 years at 10% (2.844662). The payee will have the option to convert the buy-out fee into MPXI Shares converted at a price per share of the greater of (i) \$0.35 per share or (ii) a 25% discount to the 5-day VWAP on the date of the buy-out. The number of MPXI shares to be issued will be calculated using the currency of conversion exchange posted by the Bank of Canada on the date of the buy-out. Any Warrants to be issued that have not vested or been satisfied will become fully vested on the effective date of the buy-out at an exercise price equal to the greater of (i) \$0.35 or (ii) a 25% discount to the 5-day VWAP of the MPXI Shares on the effective date of the buy-out and will be calculated using the currency of conversion exchange posted by the Bank of Canada on the date of the buy-out.

Additionally, the Corporation granted a put option on an outstanding promissory note payable from First Growth to Simonsberg (see Note 15). The option gives Simonsberg the right to assign the promissory note to the Corporation in exchange for MPXI Shares. The number of MPXI shares shall be calculated as the aggregate amount due, including principal and interest, divided by \$0.35, using the currency of conversion exchange posted by the Bank of Canada on the date of exercise. The put option will be exercisable upon closing the First Growth Acquisition and the receipt of the License.

Contingent consideration is treated as executory payments and is excluded from the initial measurement of the asset acquisition.

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**MPX International Corporation**  
**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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**5. Acquisitions (continued)**

**(c) Asset acquisitions completed in the six months ended March 31, 2020 (continued)**

*Acquisition of First Growth (continued)*

The First Growth Acquisition has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of First Growth on February 19, 2020, which have been recorded at their relative fair values:

Cash	\$	150,987
Amounts receivable		240,702
Property, plant and equipment		2,494,110
ROU asset		410,391
Accounts payable and accrued liabilities		(82,082)
ROU liability		(410,391)
Promissory note		(661,550)
Loans from related parties		<u>(1,634,025)</u>
Net assets acquired	\$	<u>508,142</u>
Transaction costs	\$	<u>508,142</u>
Total consideration paid for acquisition	\$	<u>508,142</u>

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**6. Accounts receivable**

	<b>March 31,</b>	September 30,
	<b>2020</b>	2019
Trade receivables	\$ 533,881	\$ 306,380
Other receivables	207,843	221,344
HST and VAT receivable	<u>973,538</u>	<u>551,830</u>
	<b>\$ 1,715,262</b>	<b>\$ 1,079,554</b>

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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**7. Inventory**

	<u>Capitalized, cost</u>	<u>Biological asset fair, value adjustment</u>	<u>March 31, 2020</u>
<u>Dry cannabis</u>			
Finished goods	\$ 223,322	\$ 97,264	\$ 320,586
Work-in-process	5,462,296	6,466,415	11,928,711
Products for resale	109,819	-	109,819
Seeds	<u>96,263</u>	<u>-</u>	<u>96,263</u>
	<u>\$ 5,891,700</u>	<u>\$ 6,563,679</u>	<u>\$ 12,455,379</u>
	<u>Capitalized, cost</u>	<u>Biological asset fair, value adjustment</u>	<u>September 30, 2019</u>
<u>Dry cannabis</u>			
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	<u>99,551</u>	<u>-</u>	<u>99,551</u>
	<u>\$ 1,767,802</u>	<u>\$ 793,325</u>	<u>\$ 2,561,127</u>

As at March 31, 2020, the Corporation held 96,352,854 grams of dry cannabis (71,220 grams of finished goods, 96,281,634 grams of work-in-process) (September 30, 2019 – 6,639,533 grams of dry cannabis (94,961 grams of finished goods, 6,544,572 grams of work-in-process)).

Inventory expensed during the six months ended March 31, 2020, was \$250,117 (for the year ended September 30, 2019 – \$291,535).

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

#### 8. Biological assets

Biological assets consist of planted seeds and cannabis plants. The changes in the carrying value of biological assets for the period ended March 31, 2020 are as follows:

	<b>March 31, 2020</b>	September 30, 2019
Balance, beginning of period	<b>\$ 6,404,755</b>	\$ 40,552
Acquired biological assets	-	410,895
Net increase in fair value less cost to sell due to biological transformation	<b>1,245,436</b>	5,150,607
Net increase in biological assets due to capitalized costs	<b>586,049</b>	2,369,965
Transferred to inventory upon harvest	<b>(8,365,424)</b>	(1,513,151)
Net foreign exchange differences	<b>644,157</b>	(54,113)
Balance, end of period	<b>\$ 514,973</b>	\$ 6,404,755

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 March 31, 2020
Average harvest yield, which incorporates estimates around wastage	47 grams to 172 grams per plant	85 grams per plant	A 5% decrease in the expected yield per plant would result in a significant decrease in fair value, and vice versa.	\$25,306
Average selling prices, which varies depending on strain	\$1.90 to \$7.23 per gram	\$5.26 per gram	A 5% decrease in the selling price per strain would result in a significant decrease in fair value, and vice versa.	\$25,306
Standard costs	\$1.17 per gram	\$1.17 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 16 weeks	1 weeks	A decrease of 1 week in the stage of growth would result in a significant decrease in fair value, and vice versa.	\$45,203

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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**8. Biological assets (continued)**

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at March 31, 2020, it is expected that the Corporation's cannabis plants biological assets will yield approximately 429,420 grams (September 30, 2019 – 89,727,545 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 periods ended March 31, 2020 and September 30, 2019 is as follows:

	<u>March 31,</u> <u>2020</u>	September 30, <u>2019</u>
Unrealized change in fair value of biological assets	\$ 1,245,436	\$ 5,150,607
Realized fair value increments on inventory sold during the period	<u>(31,349)</u>	<u>(87,429)</u>
Net effect of changes in fair value of biological assets and inventory	<u>\$ 1,214,087</u>	<u>\$ 5,063,178</u>

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2020

#### 9. Property, plant and equipment

The continuity of property, plant and equipment for the period ended March 31, 2020, is as follows:

<u>Gross carrying amount</u>	<u>Leasehold improvements</u>	<u>Equipment</u>	<u>Furniture and Fixtures</u>	<u>Vehicle</u>	<u>Total</u>
Balance, October 1, 2019	\$ 3,565,586	\$ 1,790,205	\$ 69,270	\$ 41,733	\$ 5,466,794
Asset acquisitions	2,494,110	-	-	-	2,494,110
Additions	1,335,288	685,377	14,787	24,791	2,060,243
Disposals	(3,179)	(483,979)	-	-	(487,158)
Net foreign exchange diff.	(267,092)	39,979	-	4,430	(222,683)
Balance, March 31, 2020	\$ <u>7,124,713</u>	\$ <u>2,031,582</u>	\$ <u>84,057</u>	\$ <u>70,954</u>	\$ <u>9,311,306</u>

#### Depreciation

Balance, October 1, 2019	\$ (907,858)	\$ (247,061)	\$ (3,924)	\$ (4,019)	\$ (1,162,862)
Depreciation	(184,638)	(91,659)	(5,202)	(8,186)	(289,685)
Disposals	-	5,392	-	-	5,392
Net foreign exchange diff.	-	(923)	-	(1,081)	(2,004)
Balance, March 31, 2020	\$ <u>(1,092,496)</u>	\$ <u>(334,251)</u>	\$ <u>(9,126)</u>	\$ <u>(13,286)</u>	\$ <u>(1,449,159)</u>

Carrying amount, March 31, 2020	\$ <u>6,032,217</u>	\$ <u>1,697,331</u>	\$ <u>74,931</u>	\$ <u>57,668</u>	\$ <u>7,862,147</u>
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Carrying amount, October 1, 2019	\$ <u>2,657,728</u>	\$ <u>1,543,144</u>	\$ <u>65,346</u>	\$ <u>37,714</u>	\$ <u>4,303,932</u>
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The continuity of property, plant and equipment for the year ended September 30, 2019, is as follows:

<u>Gross carrying amount</u>	<u>Leasehold improvements</u>	<u>Equipment</u>	<u>Furniture and Fixtures</u>	<u>Vehicle</u>	<u>Total</u>
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	\$ <u>3,565,586</u>	\$ <u>1,790,205</u>	\$ <u>69,270</u>	\$ <u>41,733</u>	\$ <u>5,466,794</u>

#### 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	\$ <u>(907,858)</u>	\$ <u>(247,061)</u>	\$ <u>(3,924)</u>	\$ <u>(4,019)</u>	\$ <u>(1,162,862)</u>

Carrying amount, September 30, 2019	\$ <u>2,657,728</u>	\$ <u>1,543,144</u>	\$ <u>65,346</u>	\$ <u>37,714</u>	\$ <u>4,303,932</u>
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Carrying amount, October 1, 2018	\$ <u>2,054,702</u>	\$ <u>1,211,862</u>	\$ <u>8,796</u>	\$ <u>-</u>	\$ <u>3,275,360</u>
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\* \$97,731 of the depreciation charged for the period has been capitalized in biological assets at March 31, 2020 (\$165,906 at September 30, 2019).

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2020

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**10. Intangible assets**

A continuity of intangible assets for the period ended March 31, 2020, is as follows:

<b>Gross carrying amount</b>	<b>Licenses</b>	<b>Trade marks</b>	<b>Customers lists</b>	<b>Other</b>	<b>Total</b>
Balance, October 1, 2019	\$ 23,066,749	\$ 1,603,741	\$ 1,025,438	\$ 2,900,786	\$ 28,596,714
Asset acquisitions	-	-	-	3,048,094	3,048,094
Additions	1,129,459	-	-	-	1,129,459
Net foreign exchange diff.	(26,320)	172,865	110,531	235,259	492,335
Balance, March 31, 2020	\$ <u>24,169,888</u>	\$ <u>1,776,606</u>	\$ <u>1,135,969</u>	\$ <u>6,184,139</u>	\$ <u>33,266,602</u>
<b>Amortization</b>					
Balance, October 1, 2019	\$ (2,258,282)	\$ (53,458)	\$ (31,074)	\$ (91,900)	\$ (2,434,714)
Amortization	(1,279,928)	(82,265)	(47,819)	(300,814)	(1,710,826)
Net foreign exchange diff.	-	(12,327)	(7,166)	(25,269)	(44,762)
Balance, March 31, 2020	\$ <u>(3,538,210)</u>	\$ <u>(148,050)</u>	\$ <u>(86,059)</u>	\$ <u>(417,983)</u>	\$ <u>(4,190,302)</u>
Carrying amount, March 31, 2020	\$ <u>20,631,678</u>	\$ <u>1,628,556</u>	\$ <u>1,049,910</u>	\$ <u>5,766,156</u>	\$ <u>29,076,300</u>
Carrying amount, October 1, 2019	\$ <u>20,808,467</u>	\$ <u>1,550,283</u>	\$ <u>994,364</u>	\$ <u>2,808,886</u>	\$ <u>26,162,000</u>

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

<b>Gross carrying amount</b>	<b>Licenses</b>	<b>Trade marks</b>	<b>Customers lists</b>	<b>Other</b>	<b>Total</b>
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	\$ <u>23,066,749</u>	\$ <u>1,603,741</u>	\$ <u>1,025,438</u>	\$ <u>2,900,786</u>	\$ <u>28,596,714</u>
<b>Amortization</b>					
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	\$ <u>(2,258,282)</u>	\$ <u>(53,458)</u>	\$ <u>(31,074)</u>	\$ <u>(91,900)</u>	\$ <u>(2,434,714)</u>
Carrying amount, September 30, 2019	\$ <u>20,808,467</u>	\$ <u>1,550,283</u>	\$ <u>994,364</u>	\$ <u>2,808,886</u>	\$ <u>26,162,000</u>
Carrying amount, October 1, 2018	\$ <u>23,066,749</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>23,066,749</u>

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

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#### 11. Goodwill

The effect of changes in the goodwill for the period ended March 31, 2020 is as follows:

	<b>March 31, 2020</b>	September 30, 2019
Balance, beginning of period	\$ 18,270,892	\$ -
Spartan Acquisition (Note 5 (a))	-	4,904,204
HolyWeed Acquisition	-	13,415,015
Net foreign exchange differences	<u>1,440,775</u>	<u>(48,327)</u>
Balance, end of period	<u>\$ 19,711,667</u>	<u>\$ 18,270,892</u>

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.

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#### 12. Investments in equity method investees

The following table outlines the Corporation's investment in an associate (Kaajenga) that was accounted for using the equity method during the six months ended March 31, 2020. On December 3, 2019, the Corporation completed the Kaajenga Acquisition of all of the remaining shares of Kaajenga (see Note 5). The Kaajenga Acquisition was accounted for as an asset acquisition and the value of the Corporation's previously held equity interest has been included on a carry-over basis.

<u>Name of associate</u>	<u>Principal place of business</u>	<u>Effective ownership and voting rights held</u>	
		<u>Mar 31, 2020</u>	<u>Sept. 30, 2019</u>
Kaajenga	Canada	100%	20%

The effect of changes in the Corporations associate for the six months ended March 31, 2020 and the year ended September 30, 2019 is as follows:

	<b>March 31, 2020</b>	September 30, 2019
Balance, beginning of period	\$ 278,937	\$ -
Initial investment	-	309,245
Share of losses	(33,470)	(30,308)
Derecognition	<u>(245,467)</u>	<u>-</u>
Balance, end of period	<u>\$ -</u>	<u>\$ 278,937</u>

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

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**13. Accounts payable and accrued liabilities**

	<u>March 31,</u> <u>2020</u>	September 30, <u>2019</u>
Trade payables	\$ 2,683,293	\$ 1,253,583
Accrued liabilities	1,642,556	1,846,517
Sales tax payable	<u>54,102</u>	<u>124,683</u>
	<u>\$ 4,379,951</u>	<u>\$ 3,224,783</u>

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**14. Contingent consideration payable**

	<u>March 31,</u> <u>2020</u>	September 30, <u>2019</u>
Balance, beginning of period	\$ 1,920,600	\$ -
Acquisition of Spartan	-	3,796,561
Accretion of contingent consideration payable	71,356	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	<u>(1,478,221)</u>	<u>(1,646,649)</u>
Balance, end of period	<u>\$ 513,735</u>	<u>\$ 1,920,600</u>

Pursuant to the terms of the Spartan Acquisition and as outlined in Note 5, the Corporation committed to providing the Sellers with MPX Bio Shares and MPX Bio 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 common share purchase 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 and MPX Bioceutical ULC (formerly MPX Bio), 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.

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## MPX International Corporation

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#### 14. Contingent consideration payable (continued)

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 March 31, 2020, the Corporation has estimated the liability at \$513,735 (September 30, 2019 - \$1,920,600) 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 March 31, 2020. The fair value of the MPXI Shares is estimated using the quoted share price of \$0.13 on March 31, 2020. 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 95.89% - 133.32%; (iii) risk free interest rates of 0.42% - 0.46% (iv) share price of \$0.13; forfeiture rate of 0; and (v) expected life between 0.48 - 1.56 years. The expected volatilities are based on the historical trading prices of similar companies.

	Discount rate	March 31, 2020	September 30, 2019
Present value of expected repayments	10.00%	\$ 513,735	\$ 1,920,600
Less: current portion		<u>132,785</u>	<u>985,436</u>
		<u>\$ 380,950</u>	<u>\$ 935,164</u>

The Corporation's expected repayments are follows:

2020	132,785
2021	<u>380,950</u>
	<u>\$ 513,735</u>

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#### 15. Promissory note

In connection with the First Growth Acquisition (see Note 5), the Corporation acquired a promissory note, with a principal balance of \$661,550 (US \$500,000), payable to Simonsberg (the "Note"). The note bears interest at a rate equal to U.S LIBOR plus 3% per annum (payable quarterly) beginning August 18, 2020 and is due on February 18, 2021. As at March 31, 2020, the remaining principal balance of \$709,350 (USD \$500,000) is recorded on the interim condensed consolidated statement of financial position.

The promissory note may, at the option of Simonsberg, be assigned, transferred, sold and conveyed in full (and not in part) to the Corporation (such option, the "Put Option") from and after (i) the date of closing the First Growth Acquisition and (ii) the date of receipt of the License. Payment for the Note by MPXI following the exercise of the Put Option by the Simonsberg shall be made and satisfied by MPXI through the delivery of MPXI Shares. The number of MPXI shares shall be calculated as the aggregate amount due, including principal and interest, divided by \$0.35, using the currency of conversion exchange posted by the Bank of Canada on the date of exercise.

The Corporation's expected principal repayments and accretion expense is as follows:

	Principal repayments	Net amount
2020	\$ -	\$ -
2021	<u>709,350</u>	<u>709,350</u>
	<u>\$ 709,350</u>	<u>\$ 709,350</u>

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**MPX International Corporation****Notes to the interim condensed consolidated financial statements (unaudited)**

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**16. Share capital****a) Authorized**

Unlimited number of common shares without par value

**b) Common shares issued**

	Number of common shares	Value
	<u>                    </u>	<u>                    </u>
<b>Balance, September 30, 2018</b>	-	\$ -
Issued pursuant to the Arrangement	45,304,966	31,921,220
Shares issued on private placement	56,042,421	26,905,163
Allocated to warrants	-	(11,277,103)
Share issuance costs	-	(117,271)
Exercise of options	1,078,576	-
Exercise of warrants	<u>1,040,461</u>	<u>-</u>
<b>Balance, March 31, 2019</b>	<u>103,476,424</u>	<u>\$ 47,432,009</u>
<b>Balance, September 30, 2019</b>	<u>135,144,187</u>	<u>\$ 63,604,342</u>
Kaajenga Acquisition (i) (Note 5)	3,224,247	1,402,547
Australia Milestone (ii) (Note 5)	2,689,189	1,129,459
Exercise of Warrants	<u>612,602</u>	<u>-</u>
<b>Balance, March 31, 2020</b>	<u>141,670,225</u>	<u>\$ 66,136,348</u>

(i) On December 3, 2019, the Corporation acquired the remaining 80% of Kaajenga (Note 5) and issued 3,224,247 MPXI Shares as part of the consideration. The shares were measured at fair value using the quoted share price of \$0.435 on December 3, 2019.

(ii) On February 3, 2020, the Corporation granted 2,689,189 MPXI Shares after receiving a medicinal cannabis license (cultivation and production) in Australia (see Note 5(b)1). The shares were measured at fair value using the quoted share price of \$0.42 on February 3, 2020.

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

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#### 17. 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
<b>Balance, September 30, 2018</b>	-	\$ -
Granted pursuant to the Arrangement	2,432,826	-
Granted	3,175,000	0.59
Exercised	<u>(1,078,576)</u>	<u>-</u>
<b>Balance, March 31, 2019</b>	<u>4,529,250</u>	<u>\$ 0.41</u>
<b>Balance, September 30, 2019</b>	<u>3,775,000</u>	<u>\$ 0.58</u>
Expired	(125,000)	0.59
Granted	<u>87,180</u>	<u>0.365</u>
<b>Balance, March 31, 2020</b>	<u>3,737,180</u>	<u>\$ 0.57</u>

- (a) 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 three and six months ended March 31, 2020, the Company recorded \$7,458 (2019 - \$1,034,379) and \$19,49 (2019 - \$1,034,379), respectively, of share-based compensation and \$6,556 (2019 - \$150,736) and \$17,138 (2019 - \$150,736), respectively, of consulting fees in the consolidated statements of net loss and comprehensive loss.
- (b) 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 three and six months ended March 31, 2020, the Company recorded \$11,753 (2019 - \$Nil) and \$23,636 (2019 - \$Nil), respectively, of share-based compensation and \$14,601 (2019 - \$Nil) and \$29,362 (2019 - \$Nil), respectively, of consulting fees in the consolidated statements of net loss and comprehensive loss.

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## MPX International Corporation

### Notes to the interim condensed consolidated financial statements (unaudited)

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#### 17. Stock options (continued)

- (c) 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 six months ended March 31, 2020, the Company recorded \$13,511 (2019 - \$Nil) and \$27,171 (2019 - \$Nil), respectively, of share-based compensation and \$6,929 (2019 - \$Nil) and \$13,934 (2019 - \$Nil), respectively, of consulting fees in the consolidated statements of net loss and comprehensive loss.
- (d) On February 11, 2020, the Corporation granted 87,180 stock options to consultants of the Corporation at an exercise price of \$0.50 per MPXI Share and expiring on February 11, 2025. The fair value of the options has been estimated at \$19,149 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0% at February 11, 2020; (ii) expected volatility of 78.95%; (iii) risk-free interest rate of 1.35%; (iv) share price of \$0.35; 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 stock options vested immediately. For the three and six months ended March 31, 2020, the Company recorded \$19,149 (2019 - \$Nil) of consulting fees in the consolidated statements of net loss and comprehensive loss.
- (e) For the three and six months ended March 31, 2020, the Company recorded \$Nil (2019 - \$195,997), respectively, 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 March 31, 2019, prior to the closing date of the Arrangement on February 5, 2019. This expense did not have an impact on contributed surplus.

The following table reflects the outstanding stock options as at March 31, 2020:

<u>Number of exercisable options</u>	<u>Number of options</u>	<u>Remaining life (years)</u>	<u>Average exercise price</u>	<u>Expiry date</u>
3,050,000	3,050,000	3.91	\$ 0.59	Feb 26, 2024
-	285,000	4.16	0.60	May 29, 2024
20,000	315,000	4.47	0.45	Sep 19, 2024
<u>87,180</u>	<u>87,180</u>	<u>4.87</u>	<u>0.365</u>	Feb 11, 2025
<u>3,157,180</u>	<u>3,737,180</u>	<u>4.00</u>	<u>\$ 0.57</u>	

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#### 18. Warrants

	<u>Number of Warrants</u>	<u>Amount</u>
<b>Balance, September 30, 2018</b>	-	\$ -
Granted pursuant to the Arrangement	5,701,507	-
Private placement	56,052,421	11,277,103
Granted	12,799	9,727
Exercised	<u>(1,040,461)</u>	<u>(9,727)</u>
<b>Balance, March 31, 2019</b>	<u>60,726,266</u>	<u>\$ 11,277,103</u>

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**MPX International Corporation**  
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**18. Warrants (continued)**

<b>Balance, September 30, 2019</b>	<u>59,944,574</u>	<u>\$ 11,434,727</u>
Kaajenga Acquisition (a) (Note 5)	3,224,247	765,945
Granted (b)	8,560	-
Exercised	(612,602)	-
Expired	<u>(774,009)</u>	<u>-</u>
<b>Balance, March 31, 2020</b>	<u>61,790,770</u>	<u>\$ 12,200,672</u>

- (a) On December 3, 2019, the Corporation acquired the remaining 80% of Kaajenga (Note 5) and issued 3,224,247 common share purchase 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 for a period of 5 years. The fair value of the warrants has been estimated at \$765,945 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 75.23%; (iii) risk-free interest rate of 1.48%; (iv) share price of \$0.435; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.
- (b) During the six months ended March 31, 2020, the Corporation granted 8,560 common share purchase warrants. Each w 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.

The following table reflects the outstanding warrants as at March 31, 2020:

Number of Warrants	Exercise price	Expiry date
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
<u>3,224,247</u>	<u>0.61</u>	<u>Dec 3, 2024</u>
<u>61,790,770</u>	<u>\$ 0.58</u>	

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**19. Revenue**

The Corporation's operations and main revenue streams are those described in the Corporation's most recent annual consolidated financial statements for the year ended September 30, 2019. The Corporation's revenue is derived from contracts with customers.

In the following tables, revenue is disaggregated by primary geographical market and major products.

Disaggregation of revenues

*Revenue from external customers for products and services*

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**19. Revenue (continued)**

	Three Months Ended		Six Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Sale of goods	\$ 218,853	\$ 9,920	\$ 402,632	\$ 46,756
Referral revenues	<u>574,597</u>	<u>202,281</u>	<u>1,016,306</u>	<u>422,017</u>
	<u>\$ 793,450</u>	<u>\$ 212,201</u>	<u>\$ 1,418,938</u>	<u>\$ 468,773</u>

*Revenue from external customers by geographic areas*

	Three Months Ended		Six Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Canada	\$ 676,969	\$ 212,201	\$ 1,140,795	\$ 468,773
Switzerland	116,481	-	278,143	-
Gross revenue	793,450	-	1,418,938	-
Excise taxes	<u>5,066</u>	<u>-</u>	<u>(4,113)</u>	<u>-</u>
Net revenue	<u>\$ 798,516</u>	<u>\$ 212,201</u>	<u>\$ 1,414,825</u>	<u>\$ 468,773</u>

**20. General and administrative**

	Three Months Ended		Six Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Occupancy costs	\$ 140,808	\$ 121,089	\$ 251,185	\$ 211,352
Consulting fees	824,338	712,086	1,814,266	832,485
Office and general	744,998	249,232	1,847,349	507,208
Repairs and maintenance	10,936	27,883	32,602	31,463
Salaries and benefits	1,456,096	477,151	2,820,514	674,993
Project costs	-	34,201	-	69,515
Sales and marketing	95,946	241,683	335,191	317,645
Regulatory expenses	<u>99,677</u>	<u>53,019</u>	<u>135,073</u>	<u>86,697</u>
	<u>\$ 3,372,799</u>	<u>\$ 1,916,284</u>	<u>\$ 7,236,180</u>	<u>\$ 2,731,358</u>

**21. Income taxes**

The Company's combined Canadian federal and provincial statutory income tax rate is 26.5% for the periods ended March 31, 2020 and 2019. The rate is expected to apply for the full year and is applied to the pre-tax income for the three-month period.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

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**MPX International Corporation**  
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**21. Income taxes (continued)**

The changes in the net deferred tax liability are provided below:

	<b>Six Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Balance, beginning of period	\$ 735,333	\$ -
Income tax (recovery) expense	(367,565)	11,278
Net foreign exchange difference	<u>20,071</u>	<u>-</u>
Balance, end of period	<u>\$ 387,839</u>	<u>\$ 11,278</u>

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**22. Related party transactions**

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:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Salaries and benefits	\$ 273,046	\$ 216,514	\$ 548,544	\$ 436,034
Share-based compensation	<u>-</u>	<u>818,669</u>	<u>-</u>	<u>818,669</u>
	<u>\$ 273,046</u>	<u>\$ 1,031,183</u>	<u>\$ 548,544</u>	<u>\$ 1,254,703</u>

Related party transactions not disclosed elsewhere are summarized below:

At March 31, 2020, the Corporation has an outstanding balance of \$41,722 (ZAR 524,342) (September 30, 2019 – \$Nil) due to Simonsberg who is a 20% shareholder of First Growth. This balance is non-interest bearing and due on demand.

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 March 31, 2020, each of the directors with control of less than 10% of the MPXI Shares collectively control 16,026,124 MPXI Shares or approximately 11.31% of the total MPXI Shares outstanding.

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**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).

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## MPX International Corporation

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#### 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*

	<u>March 31,</u> <u>2020</u>	September 30, <u>2019</u>
Canada	\$ 32,458,144	\$ 29,435,793
Switzerland	20,380,172	16,604,834
Australia	1,963,438	640,450
United Kingdom	877,689	-
South Africa	2,704,853	-
Malta	<u>3,745,140</u>	<u>2,637,303</u>
	<u>\$ 62,129,436</u>	<u>\$ 49,318,380</u>

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#### 25. Subsequent events

- (a) On June 30, 2020, the Corporation successfully closed the first tranche of its previously announced non-brokered private placement offering (the "Offering") of units (the "Units") of the Corporation. The closing of the first tranche of the Offering resulted in the issuance of 3,348 Units at a price of US\$1,000.00 (C\$1,360) for aggregate gross proceeds of US\$3,348,000 (C\$4,553,280).

Each Unit consists of one 12% secured convertible debenture of the Corporation (a "Debenture") in the principal amount of US\$1,000.00 (the "Principal Amount") and 7,000 common share purchase warrants (each, a "Warrant"). The Debentures will have a maturity date of twenty-four (24) months from the date of issuance, subject to certain conversion privileges (the "Maturity Date") as set forth in a debenture indenture (the "Debenture Indenture") entered into with AST Trust Company (Canada) ("AST"). Each Debenture will rank *pari passu* in right of payment of principal and interest with all other Debentures issued under the Offering.

The Corporation intends to use the proceeds from the Offering to fund product and facility development in Switzerland and retail expansion in Canada as well as for working capital and other general corporate purposes.

Each Debenture shall bear interest at a rate of 12% per annum from the date of issue, payable quarterly in arrears on the last day of March, June, September and December in each year, commencing December 31, 2020 (each, a "Coupon Date"). The amount of interest that becomes payable on December 31, 2020 will represent accrued interest for the period from the Initial Closing Date to December 31, 2020. All accrued but unpaid interest as of each Coupon Date shall be payable by the Corporation in cash and shall accrue interest at a rate of 12% per annum.

The Principal Amount, shall be convertible, for no additional consideration, into common shares of the Corporation (the "Common Shares") at the option of the holder at any time prior to the earlier of: (i) 6:00 p.m. (Eastern Standard Time) on the Maturity Date; or (ii) the business day immediately preceding the date specified by MPXI for redemption of the Debentures at a conversion price equal to C\$0.12 per Common Share.

Each Warrant entitles the holder thereof to purchase one Common Share (each, a "Warrant Share") at an exercise price of C\$0.20 (the "Exercise Price") for a period of twenty-four (24) months from the Closing Date (the "Expiry Date"). The Corporation and AST entered into a warrant indenture (the "Warrant Indenture") pursuant to which the Warrants were created and issued.

- (b) On June 30, 2020, the Corporation entered into a deed to surrender its lease of the Launceston Facility for aggregate consideration of AU \$53,624.
- (c) On June 15, 2020, the Corporation received a notice of default of the lease on the BioCannabis Facility.
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