

# **MJardin Group, Inc.**

## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

*(Expressed in Canadian dollars, unless otherwise stated)*

**NOTICE OF NO AUDITOR REVIEW OF UNAUDITED CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements. These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS")

**MJardin Group, Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at September 30, 2020 and December 31, 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

<b>As at</b>	<b>Note</b>	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash		4,174,651	10,019,356
Restricted cash	12	-	3,000,000
Accounts receivable	4	2,587,414	5,759,220
Due from related parties	16	1,306,008	3,468,013
Biological assets	5	1,446,983	148,209
Inventory	5	1,833,151	516,360
Prepaid expense and other assets	6	1,168,996	517,037
Assets held for sale	7	4,893,576	51,865,461
<b>Total current assets</b>		<b>17,410,779</b>	<b>75,293,656</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	47,564,780	42,793,142
Investments	9	37,010,641	32,292,377
Other long-term assets	10	5,435,753	2,069,326
Intangible assets	11	10,199,606	10,628,389
<b>Total non-current assets</b>		<b>100,210,780</b>	<b>87,783,234</b>
<b>Total assets</b>		<b>117,621,559</b>	<b>163,076,890</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	8,616,262	13,402,354
Due to related parties	16	293,344	340,030
Current portion of finance lease	15	441,738	429,881
Current portion of long term debt	14	149,080,838	15,082,074
Income taxes payable	21	14,275,758	9,593,911
Promissory note payable	13	7,831,034	11,476,603
Unearned proceeds on disposition	7	-	38,966,252
Liabilities of assets held for sale	7	-	14,458,659
<b>Total current liabilities</b>		<b>180,538,974</b>	<b>103,749,764</b>
<b>Non-current liabilities</b>			
Non-current portion of finance lease	15	2,950,343	3,148,016
Long-term debt	14	-	112,992,470
Deferred tax liabilities	21	1,350,574	1,242,422
Indemnity liability	23	2,667,800	2,597,600
Convertible debentures, net		133,390	67,250
<b>Total non-current liabilities</b>		<b>7,102,107</b>	<b>120,047,758</b>
<b>Total liabilities</b>		<b>187,641,081</b>	<b>223,797,522</b>
<b>Shareholders' deficiency</b>			
Common share equity	17(a)	263,493,688	250,661,573
RSU reserve	17(b)	10,183,591	21,537,369
Options reserve	17(c)	10,572,221	8,419,408
Warrants reserve	17(d)	9,946,918	9,946,918
Accumulated other comprehensive income	18	1,801,637	1,321,154
Deficit		(362,244,588)	(348,872,952)
<b>Deficiency attributable to the shareholders of MJardin Group, Inc.</b>		<b>(66,246,533)</b>	<b>(56,986,530)</b>
Non-controlling interest	26	(3,772,989)	(3,734,102)
<b>Total shareholders' deficiency</b>		<b>(70,019,522)</b>	<b>(60,720,632)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>117,621,559</b>	<b>163,076,890</b>

*Nature of operations and going concern (Note 1)*

*Commitments and contingencies (Note 23)*

*Subsequent events (Note 29)*

**Approved by the Board of Directors**

/s/ Roman Kocur Director  
Date: November 5, 2020

/s/ Adrian Montgomery Director  
Date: November 5, 2020

**MJardin Group, Inc.**
**Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)  
For the three and nine months ended September 30, 2020 and 2019**
*(Expressed in Canadian dollars, unless otherwise stated)*

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues	4,843,102	7,643,293	9,151,699	25,299,430
Direct operating costs	(3,533,431)	(4,094,476)	(7,240,183)	(15,532,336)
<b>Gross margin before fair value adjustments</b>	<b>1,309,671</b>	<b>3,548,817</b>	<b>1,911,516</b>	<b>9,767,094</b>
Fair value adjustment on the sale of cultivated inventory	253,814	1,202,504	253,814	1,498,773
Unrealized gain on changes in fair value of biological assets	(1,466,530)	(1,321,851)	(2,112,730)	(3,091,132)
<b>Gross margin</b>	<b>2,522,387</b>	<b>3,668,164</b>	<b>3,770,432</b>	<b>11,359,453</b>
<b>Operating expenses</b>				
Sales, general and administrative	3,741,244	3,003,836	11,263,352	14,255,839
Share-based compensation	1,096,823	3,231,695	2,297,075	15,947,127
Depreciation and amortization	152,933	546,485	1,098,795	1,175,731
Expected credit loss	1,792,471	499,535	2,021,806	1,621,565
Total operating expenses	6,783,471	7,281,551	16,681,028	33,000,262
<b>Loss from operations</b>	<b>(4,261,084)</b>	<b>(3,613,387)</b>	<b>(12,910,596)</b>	<b>(21,640,809)</b>
Interest expense	7,984,985	6,322,937	16,145,556	14,874,317
Loan initiation fees	317	202,219	351,486	2,470,011
Net earnings from equity investment	(3,106,134)	(2,536,809)	(4,718,264)	(2,550,289)
Gain (loss) on disposition of equity investment	-	257,502	-	(1,176,204)
Loss (gain) on loan modifications	-	2,518,634	(754,122)	(5,557,924)
Foreign exchange loss (gain)	683,344	236	(285,202)	61,971
Gain on disposition of GreenMart	(21,497,444)	-	(21,497,444)	-
Other (income) expenses	223,160	(544,804)	1,359,129	(208,883)
Total other (income) expenses	(15,711,772)	6,219,915	(9,398,861)	7,912,999
<b>Income (loss) before income tax, discontinued operations</b>	<b>11,450,688</b>	<b>(9,833,302)</b>	<b>(3,511,735)</b>	<b>(29,553,808)</b>
Income tax expense	(3,438,165)	(2,598,396)	(4,556,092)	(3,804,836)
<b>Income (loss) before discontinued operations</b>	<b>8,012,523</b>	<b>(12,431,698)</b>	<b>(8,067,827)</b>	<b>(33,358,644)</b>
Loss from discontinued operations	(774,469)	-	(5,303,809)	-
<b>Net income (loss)</b>	<b>7,238,054</b>	<b>(12,431,698)</b>	<b>(13,371,636)</b>	<b>(33,358,644)</b>
Other comprehensive gain (loss)	1,148,045	3,530,661	480,483	(1,299,431)
<b>Total comprehensive income (loss)</b>	<b>8,386,099</b>	<b>(8,901,037)</b>	<b>(12,891,153)</b>	<b>(34,658,075)</b>

**MJardin Group, Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency**  
**For the nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	Number of units	Common shares (Note 16(a))	RSU reserves (Note 16(b))	Options reserves (Note 16(c))	Warrants reserves (Note 16(d))	Accumulated other comprehensive income (Note 17)	Deficit	Non-controlling interests (Note 25)	Total
	#	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2019 (Restated, Note 27)</b>	<b>76,651,771</b>	<b>239,752,430</b>	<b>16,619,309</b>	<b>1,860,068</b>	<b>9,946,918</b>	<b>3,689,975</b>	<b>(81,405,025)</b>	<b>(3,333,445)</b>	<b>187,130,230</b>
PPA adjustment (Restated, Note 27)	-	-	-	-	-	-	-	-	-
Restricted share units transferred to common shares	1,224,635	7,703,000	(7,703,000)	-	-	-	-	-	-
Common shares issued for acquisition of GreenMart	1,582,676	7,442,627	-	-	-	-	-	-	7,442,627
Convertible debentures interests paid by shares issued	-	223,275	-	-	-	-	-	-	223,275
Income attributable to non-controlling interests	-	-	-	-	-	-	-	(1,045,084)	(1,045,084)
Share based compensation	-	-	10,422,142	5,524,985	-	-	-	-	15,947,127
Net loss	-	-	-	-	-	(1,299,431)	(33,358,644)	-	(34,658,075)
<b>Balance at September 30, 2019</b>	<b>79,459,082</b>	<b>255,121,332</b>	<b>19,338,451</b>	<b>7,385,053</b>	<b>9,946,918</b>	<b>2,390,544</b>	<b>(114,763,669)</b>	<b>(4,378,529)</b>	<b>175,040,100</b>
<b>Balance at December 31, 2019</b>	<b>80,275,488</b>	<b>250,661,573</b>	<b>21,537,369</b>	<b>8,419,408</b>	<b>9,946,918</b>	<b>1,321,155</b>	<b>(348,872,952)</b>	<b>(3,734,102)</b>	<b>(60,720,632)</b>
Private placement	4,716,982	1,000,000	-	-	-	-	-	-	1,000,000
Shares issued for a legal settlements	3,272,727	334,075	-	-	-	-	-	-	334,075
Restricted share units transferred to common shares	1,476,000	11,498,040	(11,498,040)	-	-	-	-	-	-
Income attributable to non-controlling interests	-	-	-	-	-	-	-	(38,887)	(38,887)
Share based compensation	-	-	144,262	2,152,813	-	-	-	-	2,297,075
Net income (loss)	-	-	-	-	-	480,483	(13,371,636)	-	(12,891,153)
<b>Balance at September 30, 2020</b>	<b>89,741,197</b>	<b>263,493,688</b>	<b>10,183,591</b>	<b>10,572,221</b>	<b>9,946,918</b>	<b>1,801,637</b>	<b>(362,244,588)</b>	<b>(3,772,989)</b>	<b>(70,019,522)</b>

**MJardin Group, Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	Note	Nine months ended September 30,	
		2020	2019
<b>Operating activities</b>		\$	\$
Net loss for the period		(13,371,636)	(33,358,644)
Adjustments for:			
Fair value adjustment on the sale of cultivated inventory		253,814	1,498,773
Unrealized gain on changes in fair value of biological assets		(2,112,730)	(3,091,132)
Share-based compensation		2,297,075	15,947,127
Depreciation and amortization		1,098,795	1,175,731
Expected credit loss		2,021,806	1,621,565
Unrealized foreign exchange loss		(285,201)	61,971
Gain on disposition of GreenMart		(21,497,444)	-
Income tax expense		4,556,092	3,804,836
Interest expense		16,145,556	14,874,317
Non-cash losses (gains)	27	1,556,837	(4,075,180)
<b>Cash outflows from operating activities before changes in working capital</b>		<b>(9,337,036)</b>	<b>(1,540,636)</b>
Changes in working capital items	27	9,245,663	(19,127,518)
<b>Cash outflows from operating activities</b>		<b>(91,373)</b>	<b>(20,668,154)</b>
<b>Investing activities</b>			
Purchase of property, plant & equipment	8	(6,195,485)	(13,420,195)
Proceeds from disposition of property, plant & equipment		-	4,039,406
Proceeds from disposition of assets held for sale	7	5,852,665	-
Cash transferred to assets held for sale	7	(2,041,646)	-
Working capital advance		-	(2,250,000)
Proceeds from disposition of investment in AMI		-	8,250,000
<b>Cash outflows from investing activities</b>		<b>(2,384,466)</b>	<b>(3,380,789)</b>
<b>Financing activities</b>			
Issuance of common shares	17	1,000,000	-
Interest paid		(3,888,427)	(9,665,080)
Financing to affiliates		-	(2,967,848)
Proceeds from debt		5,000,000	20,000,000
Proceeds from promissory note payable		1,708,767	11,110,000
Repayment of promissory note payable	13	(5,534,321)	-
Repayment of debt		(1,332,133)	(8,250,000)
Repayment of finance leases	15	(326,688)	(381,102)
<b>Cash (outflows) inflows from financing activities</b>		<b>(3,372,802)</b>	<b>9,845,970</b>
Decrease in cash		(5,848,642)	(14,202,973)
Net effect of foreign exchange on cash		3,937	349,040
Cash – beginning of the period		10,019,356	30,440,314
<b>Cash – end of the period</b>		<b>4,174,651</b>	<b>16,586,381</b>

*Supplemental cash flow information (Note 27)*

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

### **Nature of operations**

MJardin Group, Inc., (the “Company”) is a publicly traded cannabis cultivation and management services company. In 2018, the Company’s shares commenced trading on the Canadian Securities Exchange under the ticker symbol MJAR. The consolidated financial statements of the combined entities are issued under the legal parent, MJardin Group, Inc.

The Company has two groups of subsidiaries. One is the MJardin Group of companies (“MJardin Group”), which provides professional management operational and cultivation services in Canada and the United States of America (the “USA”). The other group is GrowForce, which is engaged in the cultivation and sale of cannabis products in Canada.

The Company’s headquarters are located at 1 Toronto Street, Suite 801, Toronto, Ontario M5C 2V6. The Company’s operating subsidiaries have US facilities in Nevada and Colorado, Canadian production facilities in Ontario and Manitoba, and joint venture owned production facility in Nova Scotia.

### **Going concern**

These unaudited condensed interim consolidated financial statements (“consolidated financial statements”) have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

For the nine months ended September 30, 2020, the Company reported a net loss of \$13,371,636 (September 30, 2019 – \$33,358,644), cash outflow from operating activities of \$91,373 (September 30, 2019 – outflow of \$20,668,154), working capital deficit of \$163,128,195 (December 31, 2019 – \$28,456,108) and an accumulated deficit of \$362,244,588 (December 31, 2019 – \$348,872,952).

These conditions create a material uncertainty which may cast a significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities, which may be necessary should the Company be unable to continue as a going concern.

Management acknowledges that there is significant uncertainty over the Company’s ability to meet its funding requirements as they fall due. The Company’s ability to continue in the normal course of operations is dependent on its ability to raise additional capital through debt and equity financings and to start generating positive cash flow from operating activities. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financing in the future.

#### **a) Debt facilities**

During the current year, the Company executed an amendment to its loan agreement (“Amending Agreement”) with its senior lender allowing it to defer principal and interest payments. Details of the amendments are provided in Note 14. On November 4, 2020, the Company received a signed waiver from the senior lender for the breach of its financial covenants under the loan agreements in-force as at September 30, 2020. Interest and principal payments are scheduled to commence January 1, 2021 with the entirety of the balance due within 12 months. Although management believes the Company will be successful in ramping up production at its cultivation facilities to generate cash flows to begin to meet future debt requirements, the outcome of these matters cannot be certain at this time.

#### **b) COVID-19 contagious disease**

During the nine months ended September 30, 2020, the international pandemic of the contagious disease called COVID-19 had an adverse impact on local economics and the global economy, which could adversely impact the price and demand for the Company’s products and services as sales began in the third quarter of 2020. COVID-19 affected the Company’s ability to continue its construction at its facilities, particularly WILL, and resulted in temporary shortages of staff to the extent its workforce is impacted. The Company made active efforts to minimize the impact of COVID-19. Facilities were professionally cleaned to support the staff’s return to work and mitigate any potential facility outbreak. Additional equipment vendors were sourced to address suppliers who became no longer available or had a lack of supplies on hand. A potential facility outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations, and cash flows including lost revenue. The Company’s operations are considered an essential service in all jurisdictions and all facilities are continuing to operate with protocols in place to prevent the spread of the virus. The Company is closely monitoring the impact that COVID-19 will have on the business.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance**

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards 34, "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board, and interpretations of the IFRS Interpretations Committee ("IFRIC"). Unless otherwise noted, all amounts are presented in Canadian dollars except share and per share data.

The condensed interim consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates, and methods described in the Company's annual consolidated financial statements. Given that certain information and note disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2019, including the accompanying notes thereto.

For comparative purposes, the Company has reclassified certain immaterial items on the comparative consolidated financial statements to conform with the current period's presentation.

**b) Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for biological assets, share based payments, warrants, and certain financial instruments measured at fair value.

**c) Presentation and functional currency**

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the subsidiaries in Canada and the US dollar is the functional currency for all US subsidiaries of the Company. The Company has reclassified certain items on the comparative consolidated statements of cash flows to improve clarity and consistency with the current period's presentation.

**d) Basis of consolidation**

These consolidated financial statements of the Company comprise results of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. An investor controls an investee when it is exposed or has rights to variable returns from the subsidiaries and can affect these returns. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date that control ceases. All intercompany balances, revenues, expenses, earnings, and losses resulting from intercompany transactions are eliminated on consolidation. For subsidiaries that are not wholly-owned subsidiaries but are controlled by the Company, the net assets (liabilities) and net income (loss) attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statements of financial position and in the consolidated statements of income (loss) and other comprehensive income (loss).

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original acquisition plus the non-controlling interests' share of changes in equity since the date of acquisition.

The Company's subsidiaries and ownership interests for the nine months ended September 30, 2020 are as follows:

<b>Entity Name</b>	<b>Country of Incorporation</b>	<b>% of Ownership</b>
MJAR Holdings Corp.	U.S.A	100%
GrowForce Holdings Inc.	Canada	100%
GrowForce Manitoba Inc.	Canada	100%
8586985 Canada Corporation	Canada	100%
Grand River Organics Incorporated	Canada	75.5%
Highgrade MMJ Corporation	Canada	75.5%
GrowForce AC Holdings Inc.	Canada	39%
AtlantiCann Medical Inc.	Canada	39%
Ringsby Services Inc.	Canada	100%
MJardin Management, LLC	U.S.A	100%
6100 E. 48 <sup>th</sup> Ave., LLC	U.S.A	100%
MJardin Management Colorado, LLC	U.S.A	100%
MJardin Services Inc.	U.S.A	100%
MJardin Management Nevada, LLC	U.S.A	100%
MJardin Management Florida, LLC	U.S.A	100%

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

<b>Entity Name</b>	<b>Country of Incorporation</b>	<b>% of Ownership</b>
MJardin Management Massachusetts, LLC	U.S.A	100%
MJardin Management Missouri, LLC	U.S.A	100%
MJardin Management Pennsylvania, LLC	U.S.A	100%
MJardin Capital, LLC	U.S.A	100%
MJardin Management Ohio, Inc.	U.S.A	100%
MJardin Management Texas, LLC	U.S.A	100%
Buddy Boy Brands Holdings, LLC	U.S.A	100%
Buddy Boy Brands, LLC	U.S.A	100%
2426 S. Federal, LLC	U.S.A	100%
5040 York, LLC	U.S.A	100%
EC Consulting, LLC	U.S.A	100%
F&L Investments, LLC	U.S.A	100%
GreenMart of Nevada, LLC	U.S.A	100%
MJardin Merger Sub, LLC	U.S.A	100%

**e) Critical accounting estimates and judgments**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Accounting estimates and judgments applied in these unaudited condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019.

**3. SEGMENT INFORMATION**

Management monitors the results of the Company's operating segments separately for the purpose of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on future cash flow projections of different segments and is measured consistently with actual operational profit or loss. In measuring segment performance, segment assets, and segment liabilities, management applies certain judgments and assumptions to determine the appropriate allocation of central costs, shared assets and liabilities to individual segments.

The Company's operating segments are as follows:

<b>For the three months ended September 30, 2020</b>	<b>Cultivation management in USA</b>	<b>Cultivation operations in Canada</b>	<b>Total continuing operations</b>	<b>Discontinued operation/assets held for sale</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	4,103,538	739,564	4,843,102	285,885	5,128,987
Direct operating costs	(1,586,307)	(1,947,124)	(3,533,431)	(235,662)	(3,769,092)
Sales, general and administrative	(1,131,708)	(2,609,536)	(3,741,244)	(5,567)	(3,746,811)
Depreciation and amortization	31,075	(184,008)	(152,933)	-	(152,933)
Interest expense	(1,326,398)	(6,658,587)	(7,984,985)	(243,885)	(8,228,870)
Net income (loss)	15,716,590	(7,704,067)	8,012,523	(774,469)	7,238,054

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

<b>For the three months ended September 30, 2019</b>	<b>Cultivation management in USA \$</b>	<b>Cultivation operations in Canada \$</b>	<b>Total continuing operations \$</b>	<b>Discontinued operation/assets held for sale \$</b>	<b>Total \$</b>
Revenue	7,310,187	333,106	7,643,293	-	7,643,293
Direct operating costs	(3,876,592)	(217,884)	(4,094,476)	-	(4,094,476)
Sales, general and administrative	(1,678,077)	(1,325,760)	(3,003,836)	-	(3,003,836)
Depreciation and amortization	(355,806)	(190,679)	(546,485)	-	(546,485)
Interest expense	(2,679,149)	(3,643,788)	(6,322,937)	-	(6,322,937)
Net income (loss)	(6,964,242)	(5,467,456)	(12,431,698)	-	(12,431,698)

<b>For the nine months ended September 30, 2020</b>	<b>Cultivation management in USA \$</b>	<b>Cultivation operations in Canada \$</b>	<b>Total continuing operations \$</b>	<b>Discontinued operation/assets held for sale \$</b>	<b>Total \$</b>
Revenue	8,412,135	739,564	9,151,699	1,153,464	10,305,163
Direct operating costs	(4,835,633)	(2,404,550)	(7,240,183)	(4,972,610)	(12,212,792)
Sales, general and administrative	(4,372,972)	(6,890,380)	(11,263,352)	(11,687)	(11,275,039)
Depreciation and amortization	(453,116)	(645,679)	(1,098,795)	-	(1,098,795)
Interest expense	(3,276,014)	(12,869,542)	(16,145,556)	(1,312,867)	(17,458,423)
Net income (loss)	9,137,883	(17,205,712)	(8,067,829)	(5,303,809)	(13,371,638)

<b>For the nine months ended September 30, 2019</b>	<b>Cultivation management in USA \$</b>	<b>Cultivation operations in Canada \$</b>	<b>Total continuing operations \$</b>	<b>Discontinued operation/assets held for sale \$</b>	<b>Total \$</b>
Revenue	23,378,810	1,920,620	25,299,430	-	25,299,430
Direct operating costs	(14,179,334)	(1,353,002)	(15,532,336)	-	(15,532,336)
Sales, general and administrative	(7,789,857)	(6,465,982)	(14,255,839)	-	(14,255,839)
Depreciation and amortization	(690,185)	(485,546)	(1,175,731)	-	(1,175,731)
Interest expense	(6,667,568)	(8,206,749)	(14,874,317)	-	(14,874,317)
Net income (loss)	(21,200,336)	(12,158,308)	(33,358,644)	-	(33,358,644)

<b>As at September 30, 2020</b>	<b>Cultivation management in USA \$</b>	<b>Cultivation operations in Canada \$</b>	<b>Total continuing operations \$</b>	<b>Discontinued operation/assets held for sale \$</b>	<b>Total \$</b>
Total assets	13,969,070	98,758,913	112,727,983	4,893,576	117,621,559
Total liabilities	55,003,317	132,637,765	187,641,082	-	187,641,082

<b>As at December 31, 2019</b>	<b>Cultivation management in USA \$</b>	<b>Cultivation operations in Canada \$</b>	<b>Total continuing operations \$</b>	<b>Discontinued operation/assets held for sale \$</b>	<b>Total \$</b>
Total assets	13,607,820	97,603,609	111,211,429	51,865,461	163,076,890
Total liabilities	81,527,019	127,811,844	209,338,863	14,458,659	223,797,522

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**4. ACCOUNTS RECEIVABLE**

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Trade receivables (a)	3,092,748	2,147,734
Expected credit loss receivable (b)	(1,586,850)	(103,904)
Indirect taxes receivable	1,029,099	3,715,390
Other	52,417	-
<b>Total</b>	<b>2,587,414</b>	<b>5,759,220</b>

- a) Trade receivables are from arms-length, non-related operators, and consulting customers. As at September 30, 2020, \$1,638,079 of trade receivables is over 90 days past due (2019 - \$1,488,038).
- b) Collectability of 2019 receivables relating to cultivation and rental services were assessed based on their ageing and current negotiations with the customer Buddy Boy Brands, it was determined that additional expected credit losses should be recorded at September 30, 2020.

**5. BIOLOGICAL ASSETS AND INVENTORY**

The following table is a summary of the movement in the biological assets for the periods ended September 30, 2020 and December 31, 2019:

	\$	Amount
<b>Balance at January 1, 2019</b>		139,744
Changes in fair value less cost to sell due to biological transformation		689,782
Production costs capitalized		546,200
Transferred to inventory upon harvest		(1,227,517)
<b>Balance at December 31, 2019</b>		148,209
Production costs capitalized		2,193,677
Changes in fair value less cost to sell due to biological transformation		2,112,730
Transferred to inventory upon harvest		(3,007,633)
<b>Balance at September 30, 2020</b>		<b>1,446,983</b>

All of the plants are to be harvested as agricultural produce. As at September 30, 2020, all of the plants to be harvested are between one and ten weeks from harvest (December 31, 2019 – six and eight weeks) and the life cycle is estimated to be 85 to 120 days (December 31, 2019 – 110 to 117 days).

Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels.

To determine fair value, the Company:

- i) Multiplies the expected yield in grams per plant and the expected selling price per gram, and
- ii) Deducts selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory from the expected selling price.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- i) Expected yield by plant adjusted for expected wastage represents the expected number of grams of finished cannabis inventory, which are expected to be obtained from each cannabis plant;
- ii) Percentage of costs incurred to date compared to the total expected costs to be incurred per stage of growth and over the life of the plant are used to estimate the fair value of an in-process plant at each stage;
- iii) Expected weighted average selling price per gram of harvested cannabis is calculated as the expected future weighted average selling price for all strains of cannabis sold by the Company;
- iv) Expected number of days remaining in each stage of growth and over the life of the plant; and

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

- v) The valuations assume zero value for trim, as well as the expected amount of trim that will be generated upon harvest and completion of post-harvest activities. It is assumed that the loss due to trim will be 21.5% of the dried harvest weight.

The fair value was determined using a valuation model, which assumes the biological assets on the consolidated statements of financial position will grow to maturity, be harvested and converted into finished goods inventory, and sold in the recreational cannabis market. The Company's method of accounting for biological assets is to attribute value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The Company estimates harvest yields for the plants based on the current stage of growth to have a value of \$1,446,983 (December 31, 2019: \$148,209). The weighted average selling price used in the valuation is \$4.80 per gram (December 31, 2019: \$3.28 per gram) and is based on an adjusted expected future sales mix of all dried cannabis sales, and can vary based on the different strains produced and the expected sales channel. The Company estimates percentage of costs incurred on a straight-line basis based on the number of days of growth. Plants on hand, as at September 30, 2020, have incurred an average of 53% of costs to harvest (December 31, 2019: 60%).

Production costs represent the cash costs incurred by the Company to propagate, cultivate and grow biological assets. The Company elects to capitalize production costs related to flower production expected to be obtained from biological assets and expenses these costs to direct operating costs as the inventory is sold. These costs include direct labour, fertigation materials and production supplies, energy costs, quality control costs such as sanitation and lab work, and an allocation of overhead costs. Shipping and fulfillment charges are expensed to direct operating costs in the period in which the costs are incurred.

During the three and nine months ended September 30, 2020, the Company's biological assets produced 613,385 grams and 1,058,366 grams of dried cannabis (including trim), respectively (three and nine months ended September 30, 2019 – 130,925 and 347,318 grams respectively). As at September 30, 2020, it is expected the Company's biological assets will yield approximately 750,945 grams (including trim) (December 31, 2019 – 97,057 grams). The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the unrealized gain or loss on changes in fair value of biological assets. The following table quantifies each significant unobservable input and provides the impact of a reasonable increase and decrease that each input would have on the fair value of the Company's biological assets.

	Valuation inputs		Percentage change used in sensitivity analysis	\$ Impact on Biological Assets	
	September 30, 2020	December 31, 2019		September 30, 2020	December 31, 2019
Selling price (\$)	4.80	3.28	10%	136,790	19,208
Yield by plant (grams)	67-200	210-230	15%	79,894	38,726
Average life cycle (days)	85-110	110-117	10%	59,258	13,608
Percentage of costs to harvest incurred	53%	60%	10%	53,288	6,880

During the three months ended September 30, 2020, the Company made its first sales of inventory in 2020, and recognized a fair value adjustment on the sale of cultivated inventory of \$253,814. During the three and nine months ended September 30, 2019, the Company recognized a fair value adjustment on the sale of cultivated inventory of \$1,202,504 and \$1,498,773 respectively. The Company recorded a write-down of inventory during the three and nine months ended September 30, 2020 related dried cannabis that was old and unsellable inventory in the amount of \$1,442,554 and \$1,727,930 respectively (2019 - \$nil), included in direct operating costs on the Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss).

Inventory is comprised of the following and is valued at the lower of cost and net realizable value:

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	September 30, 2020		December 31, 2019	
	\$	Weight (g)	\$	Weight (g)
Dried cannabis	594,731	243,901	516,360	157,387
Harvested work in progress	1,238,420	338,087	-	-
	<b>1,833,151</b>	<b>581,988</b>	<b>516,360</b>	<b>157,387</b>

**6. PREPAID EXPENSE AND OTHER ASSETS**

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Insurance	158,933	53,465
Deposits on construction & equipment	676,086	246,283
Leases	195,330	86,861
Other	138,647	130,428
<b>Total</b>	<b>1,168,996</b>	<b>517,037</b>

**7. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

**(a) GreenMart sale**

On December 31, 2019, the Company entered into a definitive agreement to sell all of its interest in GreenMart of Nevada, LLC ("GreenMart") for total consideration of \$49.7 million (US\$35 million) in cash, comprised of \$40.9 million (US\$30 million) received by the Company on December 31, 2019, plus \$5.0 million (US\$3.8 million) due upon the license transferring to the purchaser, subject to regulatory approvals. Effective August 13, 2020, the Company received approval from the state of Nevada for a managed services agreement ("MSA") between the Company and Harvest Health and Recreation Inc. ("Harvest") to transfer the risk and rewards associated with GreenMart. As a result, the Company has relinquished control of GreenMart, as defined under IFRS 10, resulting in a gain on disposition in the amount of \$21.5 million recognized in the unaudited condensed interim consolidated statements of income (loss) and other comprehensive income (loss). The closing conditions associated with the purchase and sale agreement ("PSA"), mainly the approval of the license transfer by the State of Nevada, are expected to be fulfilled either at the end of 2020 or early 2021. The results of operations up until the date of disposition on August 13, 2020 are presented as loss from discontinued operations in the consolidated statements of income (loss) and other comprehensive income (loss).

**(b) Results of discontinued operations**

The table below summarizes the loss from discontinued operation of GreenMart up until August 13<sup>th</sup>, 2020, which is the date the Company relinquished control of GreenMart, as defined under IFRS 10.

	Three months ended, September 30, 2020	Nine months ended, September 30, 2020
	\$	\$
Revenues	285,885	1,153,464
Direct operating costs	(235,662)	(4,972,610)
Fair value adjustment on the sale of cultivated inventory	72,611	(61,853)
Unrealized gain on changes in fair value of biological assets	516,242	1,065,838
Sales, general and administrative	(5,567)	(11,687)
Interest expense	(243,885)	(1,312,867)
Tax loss on sale of discontinued operations	(1,164,093)	(1,164,093)
Loss from discontinued operations	(774,469)	(5,303,809)
Basic and diluted loss per share	(0.01)	(0.06)

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**(c) Assets and liabilities held for sale**

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Cash and cash equivalents	-	226,680
Receivables	-	138,147
Prepaid expenses, deposits and other assets	-	64,271
Biological assets	-	303,510
Inventory	-	2,965,894
Property, plant and equipment	-	15,278,177
Intangible assets	-	20,939,091
Goodwill	-	1,156,116
Total GreenMart	-	41,071,885
Warman building	4,893,576	10,793,576
<b>Assets held for sale</b>	<b>4,893,576</b>	<b>51,865,461</b>

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Trade and other payables	-	749,584
Finance lease liability - Current	-	1,776,135
Finance lease liability - Non-current	-	11,904,792
Deferred income tax liability	-	28,149
<b>Liabilities held for sale</b>	<b>-</b>	<b>14,458,659</b>

On March 9, 2020, the Company completed the sale of the land associated with the Warman facility for total proceeds of \$5,852,665, which was used to repay the promissory note payable. As at September 30, 2020, the Warman building is included in assets held for sale on the consolidated statements of financial position as the sale is expected to close in the fourth quarter of 2020.

**(d) Cash flows from discontinued operations**

During the nine months ended September 30, 2020, the impact on the consolidated statements of cash flows was an outflow of \$2,041,646 from investing activities as the discontinued operations required funding from the continuing operations.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**8. PROPERTY, PLANT AND EQUIPMENT**

	Land	Building	Computers Equipment	Fixture & Furniture	Leasehold Improvements	Right-of-use Assets	Production Equipment	Construction in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>									
Balance at January 1, 2019	9,357,358	16,885,861	339,406	306,214	6,145,711	3,202,244	767,783	7,852,632	44,857,209
IFRS 16 adoption						220,747			220,747
Additions	76,009	1,414,317	80,514	94,298	7,165,407	15,973,095	3,564,240	6,223,051	34,590,931
Dispositions	(1,126,895)	-	(97,394)	-	(2,262,620)	-	-	-	(3,486,909)
Reclassifications	-	3,838,241	17,000	-	(4,840,738)	(2,241,347)	-	3,226,844	-
Assets held for sale	-	(10,793,576)	(26,019)	-	-	(15,574,741)	(30,657)	-	(26,424,993)
Foreign exchange on translation	(252,608)	81,281	(17,764)	(8,201)	663,884	11,372	-	-	477,964
<b>Balance at December 31, 2019</b>	<b>8,053,864</b>	<b>11,426,124</b>	<b>295,743</b>	<b>392,311</b>	<b>6,871,644</b>	<b>1,591,370</b>	<b>4,301,366</b>	<b>17,302,527</b>	<b>50,234,949</b>
Additions (a)	-	-	54,456	56,411	3,435,963	-	1,226,707	1,421,948	6,195,485
Dispositions	-	-	-	-	-	-	(57,099)	-	(57,099)
Reclassifications	-	-	-	-	3,782,997	-	-	(3,782,997)	-
Foreign exchange on translation	72,306	141,804	3,116	4,401	38,421	24,834	2,026	-	286,908
<b>Balance at September 30, 2020</b>	<b>8,126,170</b>	<b>11,567,928</b>	<b>353,315</b>	<b>453,123</b>	<b>14,129,024</b>	<b>1,616,204</b>	<b>5,473,000</b>	<b>14,941,478</b>	<b>56,660,243</b>
<b>Accumulated depreciation</b>									
Balance at January 1, 2019	-	258,118	79,191	65,682	299,196	-	79,703	-	781,890
Depreciation	-	290,251	24,056	50,489	288,364	490,091	136,590	-	1,279,841
Impairments of PPE in USA	1,652,950	3,428,731	19,251	-	849,558	-	-	-	5,950,490
Reclassification	-	141,302	-	-	(231,262)	89,960	-	-	-
Assets held for sale	-	-	-	-	-	(353,240)	-	-	(353,240)
Foreign exchange on translation	-	(333,021)	(3,838)	(2,311)	(3,900)	125,896	-	-	(217,174)
<b>Balance at December 31, 2019</b>	<b>1,652,950</b>	<b>3,785,381</b>	<b>118,660</b>	<b>113,860</b>	<b>1,201,956</b>	<b>352,707</b>	<b>216,293</b>	<b>-</b>	<b>7,441,807</b>
Depreciation	-	334,204	34,664	39,947	340,329	235,563	514,108	-	1,498,815
Dispositions	-	-	-	-	-	-	(27,099)	-	(27,099)
Foreign exchange on translation	44,671	97,000	1,623	3,252	28,789	5,227	1,378	-	181,940
<b>Balance at September 30, 2020</b>	<b>1,697,621</b>	<b>4,216,586</b>	<b>154,947</b>	<b>157,059</b>	<b>1,571,074</b>	<b>593,497</b>	<b>704,679</b>	<b>-</b>	<b>9,095,462</b>
<b>Net book value</b>									
<b>December 31, 2019</b>	<b>6,400,914</b>	<b>7,640,743</b>	<b>177,083</b>	<b>278,451</b>	<b>5,669,688</b>	<b>1,238,663</b>	<b>4,085,073</b>	<b>17,302,527</b>	<b>42,793,142</b>
<b>September 30, 2020</b>	<b>6,428,549</b>	<b>7,351,342</b>	<b>198,368</b>	<b>296,064</b>	<b>12,557,951</b>	<b>1,022,706</b>	<b>4,768,321</b>	<b>14,941,478</b>	<b>47,564,780</b>

- During the nine months ended September 30, 2020, \$1,138,932 (year ended December 31, 2019 - \$88,404) in borrowing costs were capitalized to construction in progress.
- Depreciation relating to manufacturing equipment and production facilities for owned and right-of-use lease assets is capitalized into biological assets and inventory, and is expensed to direct operating expenses upon the sale of goods. For the nine months ended September 30, 2020, \$872,961 (year ended December 31, 2019 - \$165,707) of depreciation was capitalized into biological assets and inventory.
- Land and building includes lessor rental assets with a total net book value as at September 30, 2020 of 3,074,430 (December 31, 2019 - \$3,139,737).

**9. INVESTMENTS**

	Atlanticann Medical Inc. ("AMI")	OG DNA Genetics Inc. ("DNA Genetics")	Total
	\$	\$	\$
Balance, January 1, 2019	31,207,221	8,185,200	39,392,421
Disposition of 11% of AMI	(6,816,294)	-	(6,816,294)
Investment, capital injection	3,500,000	-	3,500,000
Management fees charged to AMI	(304,205)	-	(304,205)
Net income from equity investee	2,757,155	-	2,757,155
Loss on change in fair value, unrealized	-	(6,236,700)	(6,236,700)
<b>Balance, December 31, 2019</b>	<b>30,343,877</b>	<b>1,948,500</b>	<b>32,292,377</b>
Net earnings from equity investment	4,718,264	-	4,718,264
<b>Balance, September 30, 2020</b>	<b>35,062,141</b>	<b>1,948,500</b>	<b>37,010,641</b>

**a) AMI**

This investment has been accounted for under the equity method as the Company's investment provides it with significant influence over AMI, but not control.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

Retail sales by the Company's equity investee were first made during the second quarter of 2020 and have continued to expand as a percentage of AMI's total sales in 2020. The products have been well received in Ontario and Nova Scotia and AMI is expected to sell 100% of its product through retail channels going forward. The higher margin retail sales by AMI led to net earnings from the Company's equity investment of \$4,718,264 for the nine months ended September 30, 2020 (2019 - \$2,757,155).

On August 5, 2020, AMI bought out the previously signed master service agreement with the Company, which had a ten-year term and was executed in 2019. On September 18, 2020, the Company received \$1.8 million from AMI in lieu of ongoing license fee payments that were required under the master service agreement. The Company's cultivation management support for the AMI operation has been substantially reduced in connection with the buyout and is expected to be completed by the end of 2020. The gain received has been recorded in revenue on the consolidated interim statement of income (loss) and other comprehensive income (loss). See note 19 for details.

**b) DNA Genetics**

The Company has no governance rights and no board seats, and as such, the Company has no significant influence nor control over its day-to-day business or the strategic direction of DNA Genetics. Accordingly, the Company has made an irrevocable election to classify its investment in DNA Genetics at fair value through other comprehensive income ("OCI") as the Company considers its investment to be strategic in nature.

In order to assess the fair value of this investment, since DNA Genetics is not listed on an exchange, the Company determined the fair value using valuation techniques, which require inputs that are significant and unobservable, and therefore were categorized as Level 3 in the fair value hierarchy. The Company uses the latest market transaction price for these securities derived from private placements, which are not publicly observable and any available independent valuation reports obtained from the entity. Changes in the latest market transaction prices will result in a direct increase or decrease to the fair value of the equity instrument.

Consistent with the election made on the initial recognition of the DNA Genetics investment, only dividend income is recognized in profit or loss. All other gains and losses are recognized in OCI without reclassification on derecognition.

**10. OTHER LONG-TERM ASSETS**

	<b>As at September 30, 2020</b>	<b>As at December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Receivable from sale of GreenMart (Note 7(a))	5,035,583	-
Indemnity escrow (Note 22)	400,170	389,640
Deposit for Cannabella acquisition	-	1,332,233
Deposits for building leases	-	106,121
Other long-term deposits	-	241,332
<b>Total</b>	<b>5,435,753</b>	<b>2,069,326</b>

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**11. INTANGIBLE ASSETS AND GOODWILL**

	Licenses, Permits & Applications \$	Brands & Trademarks \$	Total Intangibles \$	Goodwill \$	Total Intangibles & Goodwill \$
<b>Cost</b>					
Balance at January 1, 2019	53,070,000	4,980,467	58,050,467	155,566,675	213,617,142
Additions from acquisitions (c)	21,567,150	–	21,567,150	1,163,000	22,730,150
Transferred to assets held for sale	(21,440,825)	–	(21,440,825)	(1,156,116)	(22,596,941)
Foreign exchange on translation	(126,324)	(243,860)	(370,184)	(904,918)	(1,275,102)
<b>Balance at December 31, 2019</b>	<b>53,070,001</b>	<b>4,736,607</b>	<b>57,806,608</b>	<b>154,668,641</b>	<b>212,475,249</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at January 1, 2019	–	–	–	(15,900,000)	(15,900,000)
Amortization	(964,859)	(344,944)	(1,309,803)	–	(1,309,803)
Impairment loss	(43,560,000)	(2,833,700)	(46,393,700)	(139,308,995)	(185,702,695)
Transferred to asset held for sale	501,734	–	501,734	–	501,734
Foreign exchange on translation	–	23,550	23,550	540,354	563,904
<b>Balance at December 31, 2019</b>	<b>(44,023,125)</b>	<b>(3,155,094)</b>	<b>(47,178,219)</b>	<b>(154,668,641)</b>	<b>(201,846,860)</b>
<b>Net book value at December 31, 2019</b>	<b>9,046,876</b>	<b>1,581,513</b>	<b>10,628,389</b>	<b>-</b>	<b>10,628,389</b>
<b>Cost</b>					
Balance at January 1, 2020	53,070,001	4,736,607	57,806,608	154,668,641	212,475,249
Foreign exchange on translation	–	44,172	44,172	–	44,172
<b>Balance at September 30, 2020</b>	<b>53,070,001</b>	<b>4,780,779</b>	<b>57,850,780</b>	<b>154,668,641</b>	<b>212,519,421</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance at January 1, 2020	(44,023,125)	(3,155,094)	(47,178,219)	(154,668,641)	(201,846,860)
Amortization	(356,625)	(116,330)	(472,955)	–	(472,955)
<b>Balance at September 30, 2020</b>	<b>(44,379,750)</b>	<b>(3,271,424)</b>	<b>(47,651,174)</b>	<b>(154,668,641)</b>	<b>(202,319,815)</b>
<b>Net book value at September 30, 2020</b>	<b>8,690,251</b>	<b>1,509,355</b>	<b>10,199,606</b>	<b>-</b>	<b>10,199,606</b>

**12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	As at September 30, 2020 \$	As at December 31, 2019 \$
Trade accounts payable	4,728,749	7,825,287
Accrued liabilities & other accounts payable	3,887,513	2,596,817
Holdback payable (a)	-	3,000,000
<b>Total</b>	<b>8,616,262</b>	<b>13,402,354</b>

- a) Upon closing of the purchase of 8586985 Canada Corporation (“WILL Cannabis”) by GrowForce on April 23, 2018, \$3 million of the purchase price was held as restricted cash with an offsetting amount recorded as a holdback payable. Upon satisfaction of escrow conditions in April 2020, the full balance of the restricted cash was released and the holdback payable extinguished.

**13. PROMISSORY NOTE PAYABLE**

On September 30, 2019, the Company entered into a promissory note agreement with a third party for net proceeds of \$11,110,000. The loan is due upon demand and bears interest at a rate of prime plus 9% per annum, accrued daily. Interest is added to the principal outstanding and can be paid at any time at the discretion of the Company. Proceeds received were primarily used for the construction of the Warman facility.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	September 30, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	11,476,603	-
Proceeds from promissory note	1,708,767	11,110,000
Repayment of principal	(5,534,321)	-
Repayment of interest	(468,344)	-
Accrued interest	648,329	366,603
<b>Ending balance</b>	<b>7,831,034</b>	<b>11,476,603</b>

**14. DEBT FACILITIES**

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Term revolving loan – Bank of Nova Scotia prime rate (“BNS Prime Rate”) + 9.55% (a)	116,211,980	102,864,797
Term loan – BNS Prime Rate + 9.55% (b)	32,868,859	25,209,747
<b>Total</b>	<b>149,080,838</b>	<b>128,074,544</b>
Current portion	(149,080,838)	(15,082,074)
<b>Long-term</b>	<b>-</b>	<b>112,992,470</b>

**(a) Loans owed by Canada facilities**

In 2018, the Company entered into a secured demand revolving loan with a senior lender which provided up to support operational facilities in Canada. The loan is guaranteed by GrowForce Manitoba Inc., 8586985 Canada Corporation, Grand River Organics Incorporated, Highgrade MMJ Corporation (the "Guarantors"). The loan is secured by a general security agreement signed by the Guarantors constituting a first ranking security interest in all personal property of such Guarantor.

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. The interest payable on existing loan balances, will accrue and be added to the loan principal until December 31, 2020. Interest payments are required to be paid monthly commencing January 1, 2021. The Company is no longer required to make monthly principal payments on the loan beginning July 1, 2020, rather the total principal repayments commence in January 2021. As a result of the amendment, during the nine months ended September 30, 2020, the Company recognized a loss on loan modification \$90,634, which is offset against the gain on the modified loans owed by USA facilities of \$844,486, and shown in the gain on loan modifications line in the statements of income (loss) and other comprehensive income (loss).

**(b) Loans owed by USA facilities**

In 2017, the Company closed a demand loan facility provided by a senior lender. The loan is secured via conditions set forth in a general security agreement with an interest rate of BNS prime rate plus 9.55% per annum.

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. Under the amendments, the Company has increased its loan capacity by \$7 million. This \$7 million additional loan is payable on demand. The interest payable on existing loan balances will accrue and be added to the loan principal until December 31, 2020. Interest payments are required to be paid monthly commencing January 1, 2021. The Company is no longer required to make monthly principal payments on the loan beginning July 1, 2020, rather the total principal repayments commence in January 2021. As a result of the amendment, during the nine months ended September 30, 2020, the Company recognized a gain on loan modification of \$844,486 that is included in the consolidated financial statements. As at September 30, 2020, the Company had \$2 million of undrawn balance on the \$7 million additional loan capacity. \$3 million was drawn down in the second quarter of 2020 and \$2 million was drawn down during the three months ended September 30, 2020.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**(c) Financial covenants of new loans**

During the current year, the Company did not make a scheduled repayment of the term loans and did not meet its financial covenants pursuant to the debt facilities. On November 4, 2020, the Company received signed waivers from the senior lender waiving all consequences, including demand of principal repayment, as a result of the breach effective September 30, 2020. Interest and principal payments are scheduled to commence January 1, 2021 with the entirety of the balance due by April 2021.

**15. FINANCE LEASE**

	September 30, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	3,577,897	3,052,658
IFRS 16 transition adjustment	-	220,746
Additions to right of use assets	-	15,973,095
Additions to leasehold improvements	-	418,592
Lease payments	(326,688)	(1,258,440)
Interest accretion	130,972	842,843
Foreign exchange impact	9,900	(1,990,670)
Reclassified to liabilities held for sale	-	(13,680,927)
Ending balance	3,392,081	3,577,897
Less: current portion	(441,738)	(429,881)
<b>Non-current portion of finance lease</b>	<b>2,950,343</b>	<b>3,148,016</b>

Under IAS 17, at September 30, 2020 and December 31, 2019, the undiscounted future finance lease payments were \$3,926,773 and \$4,851,446, respectively. None of the Company's leases for continuing operational facilities have extension or termination options.

The table below summarizes the Company's future minimum lease payments as at September 30, 2020:

	Amount
	\$
2020	98,833
2021	400,894
2022	320,399
2023	266,675
2024	219,706
2025+	2,620,266

**The Company as a lessor**

The Company leases out two investment properties in the USA. During the three and nine months ended September 30, 2020, the Company recognized lease income of \$116,142 and \$348,630 (2019 - \$427,987 and \$1,232,192) respectively, which is presented as revenue on the consolidated financial statements.

**16. RELATED PARTY TRANSACTIONS**

In the ordinary course of business, under market terms and conditions comparable to those provided to unrelated third parties, the Company generates revenue from the following related parties; PotCo LLC, Next 1 Labs, Cloud 9 Support LLC, and F&L Warm Springs LLC. These transactions are considered related party in nature since a Director on the Board of the Company co-founded and is managing partner of PotCo LLC and owns Next1 Labs, Cloud 9 Support LLC and F&L Warm Springs LLC. Unless otherwise stated, all amounts due from (to) related parties are non-interest bearing, unsecured and due on demand. A summarized table of the amounts as at September 30, 2020 and December 31, 2019 are as follows:

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	September 30, 2020 \$	December 31, 2019 \$
F&L WarmSprings LLC (a)	887,811	867,445
Next 1 Labs	10,625	295,737
PotCo LLC	295,487	702,085
AMI (b)	-	1,601,086
Other related party	112,085	76,455
Expected credit loss	-	(74,795)
<b>Due from related parties</b>	<b>1,306,008</b>	<b>3,468,013</b>
Directors of related party	(293,344)	(340,030)
<b>Due (to) related parties</b>	<b>(293,344)</b>	<b>(340,030)</b>

- (a) Interest is payable in monthly installments at a rate of 15% with the full principal amount is due on December 31, 2020.
- (b) The Company provides consulting, design, operational and other management services to AMI. The Company holds an investment in AMI as described in Note 9. The following table provides a summary of the amounts charged for services provided:

	Three months ended September 30,		Nine months ended September 30,	
	2020 \$	2019 \$	2020 \$	2019 \$
Fees from cultivation and management services	2,101,464	2,116,936	2,341,061	5,950,172
Interest income	24,976	24,758	76,167	74,768
<b>Total revenues from related parties</b>	<b>2,126,440</b>	<b>2,141,693</b>	<b>2,417,228</b>	<b>6,024,939</b>
Director fees	146,275	33,036	395,165	158,667
<b>Total costs from related parties</b>	<b>146,275</b>	<b>33,036</b>	<b>395,165</b>	<b>158,667</b>

The Company sources funding from a senior lender and has loans outstanding and has made interest payments to the senior lender as at September 30, 2020 and December 31, 2019 as described in Note 14. A director of the Company is an executive of the senior lender.

## 17. SHARE CAPITAL, RIGHTS AND WARRANTS

### (a) Common Shares

#### Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

#### Common share transactions

With reference to the consolidated statements of shareholders' deficiency,

- (i) On January 13, 2020, the Company issued 4,716,982 common shares for \$1,000,000 through a private placement.
- (ii) On March 4, 2020, the Company issued 2,272,727 common shares as part of a litigation settlement related to a contract dispute for cultivation management services in the USA. In addition to the shares issued, the Company is required to pay a total cash settlement of \$333,475 (US \$250,000) in accordance with a payment plan which is expected to be fully paid by February 1, 2021. This payable has been accrued for in accounts payable and accrued liabilities within the consolidated financial statements. On March 27, 2020, the Company issued 1,000,000 common shares related to a royalty settlement agreement dated November 6, 2018.
- (iii) During the nine months ended September 30, 2020, the Company issued 1,476,000 common shares for the vesting of restricted share units ("RSUs").

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

**(b) RSU Reserve**

	RSUs (#)	Weighted Average Issue Price (\$)
Balance, December 31, 2018	5,004,835	\$ 9.10
Issued	525,000	1.16
Vested and exercised	(1,224,635)	6.29
Expired or forfeited	(838,300)	6.94
<b>Balance, December 31, 2019</b>	<b>3,466,900</b>	<b>\$ 6.16</b>
Issued	1,530,100	\$ 0.05
Vested and exercised	(1,476,000)	7.79
Expired or forfeited	(29,330)	5.25
<b>Balance, September 30, 2020</b>	<b>3,491,670</b>	<b>\$ 2.80</b>

During the nine months ended September 30, 2020, the Company recorded share-based compensation expense of \$144,262 (2019 - \$10,422,142) as a result of RSUs being vested, expired, or forfeited. This expense is included in the share-based compensation line on the consolidated financial statements. The expiry dates for the RSUs range from November 13, 2020 to September 30, 2022.

**(c) Options Reserve**

	Options (#)	Weighted Average Exercise Price (\$)
Balance, December 31, 2018	2,857,620	9.62
Issued	450,000	0.97
Expired or forfeited	(742,750)	10.24
<b>Balance, December 31, 2019</b>	<b>2,564,870</b>	<b>\$ 7.92</b>
Issued	5,386,395	\$ 0.05
Cancelled	(2,309,579)	8.06
Expired or forfeited	(255,291)	6.71
<b>Balance, September 30, 2020</b>	<b>5,386,395</b>	<b>\$ 0.05</b>

During the nine months ended September 30, 2020, the Company recorded share-based compensation of \$2,152,813 (2019 - \$5,524,985) for options granted and vested. This expense is included in the share-based compensation line on the consolidated financial statements.

Options issued during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

Options issued	Nine months ended September 30,	
	2020	2019
Risk-free annual interest rate (i)	1.46%	2.30%
Expected annual dividend yield	-	-
Expected share price volatility (ii)	112.36%	62.23%
Expected life of options in years (iii)	4	3.83

- (i) Based on the U.S. treasury bill rate with a term equal to the expected life of the options
- (ii) Estimated using the average historical volatility of the Company
- (iii) Represents the time period that options granted are expected to be outstanding

During the nine months ended September 30, 2020, 1,648,800 options were surrendered voluntarily (and therefore cancelled) by certain officers, directors, and consultants ("Option Holders"). On September 30, 2020, the Company's

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

board of directors reissued the options in accordance with applicable regulatory requirements, the grant agreements between the Company and the Option Holders, and the terms and conditions of the Company's equity incentive plan. The remaining 660,779 options that were cancelled during the nine months ended September 30, 2020 relate to employee or management departures.

The following table summarizes the share options outstanding, both vested and unvested, as at September 30, 2020:

Grant Date	Outstanding	Exercisable	Exercise Price	Remaining Life	Expiry Date
	#	#	\$	(years)	
November 13, 2018	192,000	192,000	12.00	1.12	13-Nov-21
September 30, 2020	5,194,395	1,298,599	0.05	4	30-Sep-24
<b>As at Sep 30, 2020</b>	<b>5,386,395</b>	<b>1,490,599</b>	<b>1.59</b>	<b>3.90</b>	

**(d) Warrants Reserve**

As at September 30, 2020, the total number of warrants outstanding were 2,271,100 with a weighted average exercise price of \$5.20, unchanged from December 31, 2019. The expiry dates for the warrants range from October 19, 2020 to July 21, 2030.

**(e) Long term incentive plan ("LTIP")**

Under the terms of the LTIP, the Board of Directors (the "Board") or a committee on behalf of the Board may grant awards, which may be in the form of options, restricted shares, compensatory shares, stock appreciation rights, RSUs, deferred share units (collectively, "Equity Awards") to officers, directors, employees or consultants of the Company. The maximum number of common shares which may be reserved and set aside for issue, in respect of awards to eligible participants under the LTIP, shall not exceed 12.5% of the total issued and outstanding common shares of the Company, or 11,217,652 common shares of the Company with the conversion of all issued and outstanding common shares.

**18. ACCUMULATED OTHER COMPREHENSIVE INCOME**

	September 30, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	1,321,154	3,689,975
Gain on foreign currency translation adjustment, unrealized	480,483	3,867,880
Loss on change in fair value, unrealized	–	(6,236,701)
<b>Ending Balance</b>	<b>1,801,637</b>	<b>1,321,154</b>

**19. REVENUES**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Management fees (a)	3,681,269	3,407,307	7,134,042	12,243,233
Cultivation fees	203,806	876,592	621,523	2,647,301
License fees	38,848	876,726	108,326	2,800,426
Lease income	154,638	427,987	472,078	1,232,192
Interest income	24,976	1,226,985	76,167	3,438,417
Revenue from cannabis produced	739,564	827,696	739,564	2,937,861
<b>Total</b>	<b>4,843,102</b>	<b>7,643,293</b>	<b>9,151,699</b>	<b>25,299,430</b>

(a) On August 5, 2020, AMI bought out the previously signed MSA with the Company, which had a ten-year term and was executed in 2019. In lieu of ongoing license fee payments that were required under the MSA, the Company received \$1.8 million from AMI with an additional \$0.2 million due upon completion of services outlined in the termination agreement. The Company's cultivation management support for the AMI operation has been

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

substantially reduced in connection with the buyout and is expected to be completed by the end of 2020. As a result, the Company recognized \$1,994,555 of management fees in the third quarter of 2020.

Significant customers are considered to have sales greater than 10% of the Company's revenue during the year. During the nine months ended September 30, 2020, one significant customer represented 55% of the Company's gross revenue compared to three customers who represented 51% for the same period in 2019. The significant customers obtain services from cultivation management in the USA business segment.

In 2019, the Company stopped accruing interest on the promissory notes with 2G Ventures LLC and 3B Ventures LLC Doing business as Buddy Boy Brands (collectively referred to "Buddy Boy Brands") due to the probability of non-payment. During the three and nine months ended September 30, 2020, the Company did not recognize interest income in the amount of \$810,371 and \$2,431,114, respectively. These were the same interest income amounts not recognized during the three and nine months ended September 30, 2019 as well.

**20. SALES, GENERAL AND ADMINISTRATIVE**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Payroll and benefits	2,123,164	1,598,507	6,143,120	7,455,231
Professional and consulting fees	971,854	434,159	3,323,567	3,633,386
IT costs	85,437	87,945	193,137	412,387
Office leases	95,869	38,731	285,871	182,634
Travel	4,908	49,792	53,468	398,890
Insurance	242,862	296,783	730,185	785,961
Investor relations and marketing	32,376	31,176	98,218	363,752
Other general & administrative	184,774	466,743	435,786	1,023,598
<b>Total</b>	<b>3,741,244</b>	<b>3,003,836</b>	<b>11,263,352</b>	<b>14,255,839</b>

**21. INCOME TAX**

The reconciliation of the combined Canadian and U.S. federal and provincial and state corporate income taxes, and to the Company's effective income tax expense is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income (loss) before tax	11,450,688	(9,833,302)	(3,511,735)	(29,553,808)
Statutory tax rate	26.5%	26.5%	26.5%	26.5%
Expected income tax (recovery)	3,330,683	(2,605,825)	(930,610)	(7,831,759)
Differences in tax rates	(691,274)	741,040	193,145	1,625,459
Permanent non-deductible differences	1,351,188	963,696	3,596,546	3,209,054
Changes in tax benefits not recognized	(552,432)	3,499,485	1,697,010	6,802,082
<b>Total</b>	<b>3,438,165</b>	<b>2,598,396</b>	<b>4,556,092</b>	<b>3,804,836</b>

As many of the Company's U.S. subsidiaries operate in the cannabis industry and are subject to the limitations of IRC Section 280E, the impact results in a permanent tax difference as a disallowed tax deduction. Therefore, the U.S. effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss due to the material impact of Section 280E.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

The following table summarizes the components of deferred tax liabilities:

	As at September 30, 2020	As at December 31, 2019
Property, plant and equipment	492,656	479,692
Inventory	(140,404)	(136,709)
Impact from section 280E and other tax changes	364,360	282,159
Intangible assets	633,961	617,279
<b>Deferred tax liabilities</b>	<b>1,350,574</b>	<b>1,242,422</b>

**22. INCOME (LOSS) PER SHARE**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Basic and diluted income (loss) per share from continuing operations	\$ 0.09	\$ (0.11)	\$ (0.09)	\$ (0.45)
Basic and diluted (loss) per share from discontinued operations	\$ (0.01)	\$ -	\$ (0.06)	\$ -
<b>Basic and diluted income (loss) per share</b>	<b>\$ 0.08</b>	<b>\$ (0.11)</b>	<b>\$ (0.15)</b>	<b>\$ (0.45)</b>

As the Company incurred net income (loss) during the three and nine months ended September 30, 2020 and 2019, the income (loss) per common share is based on the weighted average number of common shares outstanding during the periods. As the effect of the outstanding restricted stock units (“RSUs”), options, warrants, and convertible debt are anti-dilutive as at September 30, 2020, diluted income (loss) per share does not differ from basic (income) loss per share. For the three and nine months ended September 30, 2020, the impact of 3,491,670 outstanding RSUs, 5,386,395 outstanding options, and 2,271,100 outstanding warrants were not included in the calculation of diluted income (loss) per share.

**23. COMMITMENTS AND CONTINGENCIES**

The Company does not have any material commitments other than those previously disclosed in these consolidated financial statements. The table in Note 24 b), summarizes the amounts and maturity dates of the Company’s contractual obligations as at September 30, 2020.

The Company is subject to certain claims and potential claims. The Company does not expect any of these, individually or in the aggregate, to have a material adverse effect on the financial results of the Company. The outcome of all proceedings and claims against the Company are subject to future resolution that includes the uncertainties of litigation. It is not possible for the Company to predict the result or magnitude of the claims due to the various factors and uncertainties involved in the legal process. Based on information currently known to the Company, management believe it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in the aggregate, will have a material adverse effect on our business, financial results, or financial condition. If it becomes probable that management will be held liable for claims against the Company, management will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated financial statements.

In 2018, one of the Company’s managed services operators had a judgment against it. The operator appealed the judgment and was required to post an appellate bond on appeal. The vendor of the Buddy Boy Brands assets agreed to release \$5,104,410 (US\$3,939,500) from the Buddy Boy Indemnification escrow to fund a portion of the appellate bond. The operator and its attorney believe that there is a high likelihood of overturning the initial judgment. As at September 30, 2020, the amount of the indemnification escrow asset is \$400,170 (December 31, 2019 - \$389,640) with a third-party indemnification escrow agent pursuant to the purchase and sale agreement with the vendor of the Buddy Boy Brands assets, and a related indemnity liability for \$2,667,800 as at the same period (December 31, 2019 - \$2,597,600).

**24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

**Fair Value Hierarchy**

The estimated fair values of the cash, restricted cash, accounts receivable, due from related parties, investments, accounts payable and accrued liabilities, due to related parties, convertible debt, promissory notes payable, and indemnity liabilities approximate their carrying values due to the relatively short-term nature of the instruments. The estimated fair values of long-term deposits and long-term debt approximate carrying values since effective interest rates are not significantly different from market rate. The carrying value of the debt differs from the fair value due to transaction costs. The carrying value of the long-term deposits differ from the fair value at inception since they are non-interest bearing.

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

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

There have been no changes to the classification of financial instruments using the fair value hierarchy as shown below:

Amounts in Canadian Dollars	Level 1	Level 2	Level 3	Total
<b>As at September 30, 2020</b>				
Investments	-	-	37,010,641	37,010,641
<b>As at December 31, 2019</b>				
Investments	-	-	32,292,377	32,292,377

**(a) Credit risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash, restricted cash, accounts receivable, and related party receivable. The Company assessed the collectability of its accounts receivable and related party receivable and for the nine months ended September 30, 2020 recognized an expected credit loss receivable of \$1,586,850 (December 31, 2019 - \$103,904). The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. Accounts receivable primarily consist of amounts due from the sales tax credits that the Company expects to fully recover. The risk exposure is limited to their carrying amounts at the statements of financial position date. As at September 30, 2020 and December 31, 2019, the Company's maximum exposure to credit risk is represented by its largest customer in dollar value. This amounts to 71% and 33%, respectively, of consolidated accounts receivable.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company actively manages its liquidity through cash and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing, and investing activities.

The Company's cash flow is generated from debt financing or equity raises. The Company monitors cash on a regular basis and reviews expenses and overhead to ensure costs and commitments are being paid in a timely manner. Management has worked with and negotiated with vendors to ensure payment arrangements are satisfactory to all parties and that monthly cash commitments are managed within the Company's operating cash flow capabilities.

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. During the current year, the Company did not make a scheduled repayment of the term loans and did not meet its financial covenants pursuant to the debt facilities. On November 4, 2020, the Company received signed waivers from the senior lender waiving all consequences, including demand of principal repayment, as a result of the breach effective September 30, 2020. Interest and principal payments are scheduled to commence January 1, 2021 with the entirety of the balance due by April 2021.

As at September 30, 2020, the Company had cash balance of \$4,174,651. The following table summarizes amounts and maturity dates of the Company's contractual obligations as at September 30, 2020:

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

	Within 1 year	2 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	8,616,262	-	-	8,616,262
Due to related parties	293,344	-	-	293,344
Income taxes payable	14,275,758	-	-	14,275,758
Promissory note payable	7,831,034	-	-	7,831,034
Finance leases	441,738	1,480,403	1,469,940	3,392,081
Indemnity liability	-	2,667,800	-	2,667,800
Current portion of long-term debt	149,080,838	-	-	149,080,838
<b>Total</b>	<b>180,538,974</b>	<b>4,148,203</b>	<b>1,469,940</b>	<b>186,157,117</b>

**(c) Market risk**

*Currency risk*

Currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at September 30, 2020, the Company had functional currencies of Canadian dollars and US dollars for US subsidiaries' financial assets and liabilities for which cash flows were denominated in foreign currencies. Management closely monitors the fluctuation of the Company's foreign currency and believes the foreign currency exchange risk derived from its other activities is low, so therefore, does not hedge the foreign currency exchange risk arising from these activities. The impact on net income (loss) from changes in the foreign exchange rates are shown in the table below:

	Net income (loss)			
	2020		2019	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
USD/CAD	\$ 436,552	\$ (436,552)	\$ 498,836	\$ (498,836)

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing assets other than cash. The Company's debt facilities carry interest at prime rate plus a fixed rate. The Company is exposed to fluctuations in the prime rate.

The table below details the effect on income (loss) before tax of a 100-basis points strengthening or weakening of the BNS Prime Rate on the debt facilities. 100-basis points sensitivity is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Net income (loss)			
	2020		2019	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
BNS Prime rate	\$ 1,759,380	\$ (1,775,407)	\$ 1,834,483	\$ (1,851,194)

**25. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in equity and debt, net of cash. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. The Company is subject to certain covenant requirements related to its debt facilities.

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

See Note 14 c) for more information.

**26. NON-CONTROLLING INTEREST**

Non-controlling interest represents the ownership interest by third parties in Grand River Organics ("GRO"), which is a business that is controlled and consolidated by the Company.

	<b>Amount</b>
	<b>\$</b>
<b>Balance, January 1, 2019</b>	-
On acquisition of control of GRO	3,333,445
Portion of net loss at 24.49%	400,657
<b>Balance, December 31, 2019</b>	<b>3,734,102</b>
Portion of net loss at 24.49%	38,887
<b>Balance, September 30, 2020</b>	<b>3,772,989</b>

**27. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>Nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	1,150,000	(158,680)
Due from related parties	2,299,017	(6,454,975)
Biological assets	542,125	-
Inventory	(433,009)	-
Prepaid expense and other assets	(520,041)	(4,929,054)
Accounts payable and accrued liabilities	6,207,571	(7,584,809)
<b>Total changes in working capital</b>	<b>9,245,663</b>	<b>(19,127,518)</b>

	<b>Nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Gain on disposition of equity investment	-	(1,176,204)
Net earnings from equity investment	(4,718,264)	(2,550,289)
Gain on sale of property, plant, and equipment	30,000	-
Gain on loan modifications	(754,122)	(5,557,924)
Loss from discontinued operations	5,303,809	-
Other	1,695,414	5,209,237
<b>Total add-back for non-cash losses (gains)</b>	<b>1,556,837</b>	<b>(4,075,180)</b>

**MJardin Group, Inc.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2020 and 2019**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

**28. RESTATEMENT**

The Company has restated the January 1, 2019 balances in the consolidated statements of changes in shareholder's equity (deficiency) based on the table below:

<i>As at January 1, 2019</i>	<b><i>Previously Reported</i></b>	<b><i>Adjustment</i></b>	<b><i>Restated</i></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Common shares	206,923,273	32,829,157	239,752,430
RSU reserves	28,405,229	(11,785,920)	16,619,309
Options reserves	1,860,068	-	1,860,068
Warrants reserves	12,876,012	(2,929,094)	9,946,918
Accumulated other comprehensive income (loss)	3,884,389	(194,414)	3,689,975
Deficit	(88,863,069)	7,458,044	(81,405,025)
Non-controlling interests	(3,333,445)	-	(3,333,445)
<b>Total shareholders' equity</b>	<b>161,752,457</b>	<b>25,377,773</b>	<b>187,130,230</b>

See note 32 of the consolidated financial statements at December 31, 2019 and 2018 for more information. As a result of the restatement to the January 1, 2019 balances shown in the table above, the PPA adjustment of \$30,722,844 that was previously reported has been updated to \$nil given that this adjustment was corrected for in 2018.

**29. SUBSEQUENT EVENTS**

On October 7th, 2020, the Company announced the approval of a master service agreement with the Ontario Cannabis Store ("OCS"), which immediately enables the Company to make its product available to consumers in Ontario. It is an important step in the Company's evolution from a pure play cultivator to a consumer-centric company, servicing the needs of retail consumers, in-line with the 2020 strategic plan. As a result, the Company expects increased revenues from same flower production given the higher realized price per gram at the retail sales level, while getting market recognition and consumer brand awareness under the Flint and Embers banner. The Company anticipates the first sale to the OCS in the fourth quarter of 2020.