Consolidated financial statements

MPX International Corporation

September 30, 2020

Grant Thornton LLP
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Independent auditor's report

To the Shareholders of MPX International Corporation:

Opinion

We have audited the consolidated financial statements of MPX International Corporation and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at September 30, 2020, and September 30, 2019 and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and September 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group has not yet achieved profitable operations, has a working capital deficit, and will require additional funding to advance the Group's business efforts. These conditions, along with the matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton LLP

Toronto, Canada
January 28, 2021

Chartered Professional Accountants
Licensed Public Accountants

Contents

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

As at September 30,	**2020**	2019
Assets		
Current		
Cash	**$ 1,308,811**	$ 16,356,889
Accounts receivable (Note 6)	**1,380,090**	1,079,554
Inventory (Note 7)	**4,385,071**	2,561,127
Biological assets (Note 8)	**439,251**	6,404,755
Prepaid expenses	**124,437**	359,300
Deposits	**4,181**	622,206
Due from related parties (Note 25)	**-**	413,838
Total current assets	**7,641,841**	27,797,669
Non-current		
Restricted cash	**118,155**	112,190
Property, plant, and equipment (Note 9)	**8,557,606**	4,303,932
Right-of-use assets (Note 4)	**3,678,583**	-
Intangible assets (Note 10)	**27,085,391**	26,162,000
Goodwill (Note 11)	**4,904,204**	18,270,892
Equity accounted investees (Note 12)	**-**	278,937
Deposits	**384,078**	302,619
Total non-current assets	**44,728,017**	49,430,570
Total assets	**$ 52,369,858**	$ 77,228,239
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 13)	**$ 6,206,389**	$ 3,187,338
Short-term loans	**209,466**	1,044,373
Right-of-use liabilities (Note 4)	**1,164,879**	-
Due to related party (Note 25)	**89,786**	-
Income taxes payable	**71,664**	-
Contingent consideration payable (Note 14)	**-**	985,436
Promissory note (Note 15)	**666,950**	-
Total current liabilities	**8,409,134**	5,217,147
Non-current		
Lease inducement	**-**	868,518
Term loans - CEBA (Note 16)	**120,000**	-
Contingent consideration payable (Note 14)	**-**	935,164
Right-of-use liabilities (Note 4)	**4,047,177**	-
Convertible debentures (Note 17)	**4,675,321**	-
Option component of convertible debentures (Note 17)	**774,650**	-
Defined benefit obligation (Note 29)	**323,459**	134,870
Deferred tax liabilities (Note 24)	**-**	735,333
Total non-current liabilities	**9,940,607**	2,673,885
Total liabilities	**18,349,741**	7,891,032
Equity		
Share capital (Note 18)	**66,136,348**	63,604,342
Other equity (Note 19)	**512,705**	-
Warrants (Note 21)	**12,541,696**	11,434,727
Contributed surplus	**1,458,399**	1,278,436
Accumulated other comprehensive income (loss)	**837,332**	(66,918)
Deficit	**(47,529,291)**	(6,798,266)
Equity attributable to shareholders of the Corporation	**33,957,189**	69,452,321
Non-controlling interests	**62,928**	(115,114)
Total equity	**34,020,117**	69,337,207
Total liabilities and equity	**$ 52,369,858**	$ 77,228,239

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 14 and 30(e)) and Subsequent events (Notes 25, 27 and 30).

On Behalf of the Board:

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

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of changes in equity
(in Canadian dollars)
Year ended September 30, 2020

	Share capital	Other equity	Warrants	Contributed surplus	Accumulated other comprehensive income	Non controlling interest	Deficit	Total
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	(533,752)	-	-	-	-	-	-	(533,752)
Acquisitions	15,613,780	-	76,432	-	-	-	-	15,690,212
Investments in Kaajenga	113,971	-	70,274	-	-	-	-	184,245
Settlement of contingent consideration	198,413	-	10,918	-	-	-	-	209,331
Consulting fees	662,650	-	-	192,518	-	-	-	855,168
Share-based compensation	-	229,074	-	1,085,918	-	-	-	1,314,992
Contributions and net change in owner's investment	-	8,041,619	-	-	-	-	-	8,041,619
Transfer to MPXI share capital	31,921,220	(31,921,220)	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	(2,465,026)	-	-	(66,918)	(115,114)	(6,798,266)	(9,445,324)
Balance, September 30, 2019	$ 63,604,342	$ -	$ 11,434,727	$ 1,278,436	$ (66,918)	$ (115,114)	$ (6,798,266)	$ 69,337,207
Balance, October 1, 2019	$ 63,604,342	$ -	$ 11,434,727	$ 1,278,436	$ (66,918)	$ (115,114)	$ (6,798,266)	$ 69,337,207
Acquisitions	1,402,547	-	765,945	-	-	492,057	-	2,660,549
Private placement	-	-	358,648	-	-	-	-	358,648
Cost of issuance	-	-	(17,624)	-	-	-	-	(17,624)
Consulting fees	-	512,705	-	95,818	-	-	-	608,523
Share-based compensation	-	-	-	84,145	-	-	-	84,145
Settlement of contingent consideration	1,129,459	-	-	-	-	-	-	1,129,459
Net loss and comprehensive loss for the year	-	-	-	-	904,250	(314,015)	(40,731,025)	(40,140,790)
Balance, September 30, 2020	$ 66,136,348	$ 512,705	$ 12,541,696	$ 1,458,399	$ 837,332	$ 62,928	$ (47,529,291)	$ 34,020,117

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of net loss and comprehensive loss

(in Canadian dollars)

Year ended September 30,	2020	2019
Gross revenue	$ 3,254,844	$ 1,666,153
Excise taxes	(83,373)	(74,623)
Net revenue	3,171,471	1,591,530
Cost of sales (Note 7)	569,742	291,535
Gross profit before unrealized gain from changes in fair value of biological assets	2,601,729	1,299,995
Unrealized gain from changes in fair value of biological assets (Note 8)	2,032,120	5,150,607
Gross profit	4,633,849	6,450,602
Operating expenses		
General and administrative (Note 23)	13,596,048	8,656,714
Professional fees	2,209,380	2,532,655
Share-based compensation (Note 20)	84,145	1,314,992
Amortization and depreciation (Notes 4, 9 and 10)	4,776,520	2,839,984
Total operating expenses	20,666,093	15,344,345
Loss from operations	(16,032,244)	(8,893,743)
Other expenses (income)		
Foreign exchange	(886,429)	344,066
Interest income	(13,770)	(26,741)
Share of loss of equity accounted investees (Note 12)	33,470	128,429
Interest and financing charges	528,767	46,597
Accretion expense (Notes 14 and 17)	356,721	257,286
Change in fair value of contingent consideration payable (Note 14)	(1,894,615)	(1,646,649)
Fair market value change – option component	(267,547)	-
Loss on disposal of assets (Notes 4 and 9)	2,271,137	71,083
Loss on lease disposal	690,980	-
Bad debt expense	222,793	36,983
Forgiveness of debt	(22,920)	-
Write-down of inventory (Note 7)	9,972,399	131,219
Impairment of intangible assets (Note 10)	348,939	-
Impairment of goodwill (Note 11)	14,122,604	-
Transaction costs	237,178	884,390
Total other expenses (income)	25,699,707	226,663
Net loss before income taxes	$ (41,731,951)	$ (9,120,406)
Current income tax expense	$ (71,664)	$ -
Deferred income tax recovery (expense)	758,575	(258,000)
Net loss	$ (41,045,040)	$ (9,378,406)
Other comprehensive income (loss) that may be reclassified to net profit or loss		
Exchange differences on translation of foreign operations	$ 1,087,443	$ (14,286)
Actuarial loss on defined benefit obligation	(183,193)	(52,632)
Total comprehensive loss for the year	$ (40,140,790)	$ (9,445,324)
Total comprehensive loss attributable to:		
Owners of the Corporation	(39,826,775)	(9,330,210)
Non-controlling interests	(314,015)	(115,114)
Loss per share, basic and diluted	$ (0.28)	$ (0.13)
Basic and diluted weighted average number of shares outstanding	140,063,088	71,690,606

See accompanying notes to the consolidated financial statements.

MPX International Corporation
Consolidated statements of cash flows
(in Canadian dollars)

Year ended September 30, 2020	2020	2019
Net loss	**$ (41,045,040)**	$ (9,378,406)
Items not affecting cash:		
Amortization and depreciation	**4,776,520**	2,839,984
Share-based compensation	**84,145**	1,314,992
Accretion expense	**356,721**	257,286
Interest and financing charges	**515,006**	42,713
Change in fair value of contingent consideration payable	**(1,894,615)**	(1,646,649)
Share of loss of joint venture	**33,470**	128,429
Deferred Income tax (recovery) expense	**(758,575)**	258,000
Consulting fees settled via equity instruments	**608,523**	855,168
Loss on disposal of assets	**2,271,137**	71,083
Lease disposal	**665,121**	-
Impairment of intangible assets	**348,939**	-
Impairment of goodwill	**14,122,604**	-
Write-down of inventory	**9,972,399**	-
Change in pension liabilities	**226,034**	26,073
Unrealized foreign exchange (gain) loss	**(723,638)**	89,068
Unrealized gain from changes in fair value of biological assets	**(2,032,120)**	(5,150,607)
	(12,473,369)	(10,292,866)
Changes in non-cash working capital:		
Accounts receivable	**(59,834)**	(708,665)
Inventory and biological assets	**(3,045,646)**	(2,125,381)
Prepaid expenses and deposits	**389,242**	(1,048,551)
Accounts payable and accrued liabilities	**2,941,643**	2,678,227
Income tax payable	**71,664**	-
Lease inducement	**-**	(85,001)
	297,069	(1,289,371)
Net cash used in operating activities	**(12,176,300)**	(11,582,237)
Investing activities		
Cash acquired through the acquisition of subsidiaries	**150,987**	195,016
Investment in joint venture	**-**	(125,000)
Purchase of property, plant, and equipment	**(4,242,972)**	(1,248,128)
Purchase of intangible assets	**-**	(2,224,800)
Restricted cash	**-**	(112,190)
Net cash used in investing activities	**(4,091,985)**	(3,515,102)
Financing activities		
Funds received pursuant to the arrangement	**-**	5,239,591
Contributions and change in owner's net investment	**-**	1,658,698
Proceeds from private placement	**5,410,816**	26,905,163
Share issuance costs on private placement	**(17,624)**	(533,752)
Due to related parties	**89,786**	(413,838)
Lease payments	**(1,406,247)**	-
Financing provided to acquisition targets	**(2,014,534)**	(1,273,982)
Proceeds from term loans	**120,000**	-
Repayment of short-term loans	**(929,976)**	(321,840)
Interest paid	**(77,339)**	(10,054)
Net cash provided by financing activities	**1,174,882**	31,249,986
(Decrease) increase in cash	**(15,093,403)**	16,152,647
Cash, beginning of year	**16,356,889**	164,579
Effect of exchange rate fluctuations on cash held	**45,325**	39,663
Cash, end of year	**$ 1,308,811**	$ 16,356,889

See accompanying notes to the consolidated financial statements.

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 Bioceutical Corporation (“MPX Bio”) 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.

Description of the business

MPXI is a multinational diversified cannabis company focused on developing and operating assets across the international cannabis industry with an emphasis on cultivating, manufacturing and marketing products which 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 consolidated 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 year ended September 30, 2020, the Corporation incurred a net loss of $41,045,040 (September 30, 2019 – net loss of $9,378,406), and, as at September 30, 2020, had an accumulated deficit of $47,529,521 (September 30, 2019 – $6,798,266) and a working capital deficit of $767,293 (September 30, 2019 – working capital surplus of $22,580,522). 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.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The global impact of COVID-19 has resulted in significant declines in global stock markets and has contributed to a great deal of uncertainty as to the health of the global economy. The Corporation has implemented procedures and protocols at its facilities to mitigate the impact of COVID-19, including enhanced screening measures, enhanced cleaning and sanitation processes and frequency, encouraging social distancing measures and directing employees to work from home if possible. The Corporation believes that it can maintain safe operations with these pandemic-related procedures and protocols in place.

Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Corporation’s operations during the year ended September 30, 2020. However, the long-term impact that COVID-19 will have on the Corporation’s business or financial results cannot be reasonably estimated at this time. Additional shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 that affect the Corporation, its suppliers, distribution channels or customers may have a material impact to the Corporation’s planned operations.

In addition, it is possible that estimates in the Corporation’s financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material. The Corporation is continuing to monitor the impact of the pandemic on all aspects of its business.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on January 28, 2021.

Functional and presentation currency

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

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

Basis of consolidation

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

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

Entity	Place of incorporation	Functional currency	Effective ownership and Accounting Treatment per September 30, 2020	Effective ownership and Accounting Treatment per September 30, 2019
Canveda Inc. (formerly 8423695 Canada Inc.) (“Canveda”)	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
The CinG-X Corporation (“CinG-X”)	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
Salus BioPharma Corporation (“Salus BioPharma”)	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
Biocannabis Products Ltd. (“Biocannabis”)	Ontario, Canada	CAD	Consolidation (100%)	Combination (100%)
Spartan Wellness Corporation (“Spartan”)	Ontario, Canada	CAD	Consolidation (100%)	Consolidation (100%)
MCLN Inc. (formerly 2702148 Ontario Inc.)	Ontario, Canada	CAD	Consolidation (100%)	Equity method (20%)
MPXI UK Limited	London, England	GBP	Consolidation (100%	N/A
MPXI Alberta Corporation	Alberta, Canada	CAD	Consolidation (100%)	Consolidation (100%)
MPX Australia Pty Ltd. (“MPX Australia”)	Australia	AUD	Consolidation (100%)	Consolidation (100%)
HolyWorld, SA (“HolyWeed”)	Switzerland	CHF	Consolidation (100%)	Consolidation (100%)
MPXI Labs SA	Switzerland	CHF	Consolidation (100%)	N/A
MPXI Malta Operations Limited (“MPXI Malta Operations”)	Malta	EUR	Consolidation (80%)	Consolidation (80%)
MPXI Malta Property Limited (“MPXI Malta Property”)	Malta	EUR	Consolidation (80% (a))	Consolidation (80% (a))
Alphafarma Operations Ltd. (“Alphafarma”)	Malta	EUR	Consolidation (80% (a))	Consolidation (80% (a))
First Growth Holdings (Pty) Ltd. (“First Growth”)	South Africa	ZAR	Consolidation (80%)	N/A

2. Basis of preparation (continued)

Basis of consolidation (continued)

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

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

Business combinations

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

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

Asset acquisitions

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

Comparative amounts

Certain items in the comparative amounts have been reclassified to conform with the current year’s presentation.

3. Significant accounting policies

a) Foreign currency transactions and translation

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

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

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

(b) Cash

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

(c) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. If a grant is received but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense item in nature, it is recorded against the associated expense in profit or loss in the period in which the expense is incurred.

During the year ended September 30, 2020, the Corporation received government grants under the Canadian Emergency Wage Subsidy ("CEWS") provided by the Government of Canada as a result of the COVID-19 pandemic. The Corporation has recorded the grants against the related salary expenses and recognized each grant upon receipt.

During year ended September 30, 2020, the Corporation received interest-free loans from the Canada Emergency Business Account ("CEBA") to cover operating costs as a result of the COVID-19 pandemic. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of 25%. The Corporation will recognize the loan forgiveness in the consolidated statements of net loss and comprehensive loss when the criteria has been met.

(d) Biological assets

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

3. Significant accounting policies (continued)

(e) Inventory

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

(f) Property, plant and equipment

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

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

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

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

(g) Intangible assets

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

Cultivation license under the Cannabis Act (Health Canada)	lease term
Customer list	11 years
Trademarks	10 years
Lease contract for GMP-ready facility	5 years
Cannabis information and sales platform	3 years

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

(h) Impairment of non-financial assets

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

3. Significant accounting policies (continued)

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

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

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

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

(i) Leases

See Note 4 changes in significant accounting policies.

(j) Investments accounted for using the equity method

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

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

(k) Share-based compensation

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

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

3. Significant accounting policies (continued)

(l) Loss per share

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

(m) Income taxes

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

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

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

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

(n) Financial instruments

Financial assets

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

Financial liabilities

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

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

3. Significant accounting policies (continued)

(n) Financial instruments (continued)

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

a) Financial assets
   (i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the Solely Payments of Principal and Interest ("SPPI") test are measured at amortized cost.
   (ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI.
   (iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

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

<u>Classification of financial instruments</u>

The following table summarizes the measurement categories for each class of the Corporation's financial assets and financial liabilities:

Financial assets	**IFRS 9 classification**
Cash (including restricted cash)	Amortized cost
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Deposits	Amortized cost

Financial liabilities	**IFRS 9 classification**
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Short-term loans	Amortized cost
Promissory Note	Amortized cost
Term Loans	Amortized cost
Convertible debentures	Amortized cost
Option components of convertible debentures	FVTPL

<u>Impairment of financial assets</u>

The Corporation has calculated expected credit losses based on lifetime expected credit losses.

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

<u>Fair value hierarchy</u>

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

3. Significant accounting policies (continued)

(n) Financial instruments (continued)

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).

(o) Revenue recognition

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

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

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

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

Revenue from referring customers to certain Licensed Producers (i.e. the "Suppliers") is recognized at the time the patient obtains cannabis from the Suppliers. The Corporation recognized revenue in an amount that reflects the consideration that the Corporation expects to be entitled to taking into account any variation that may result from future trailing commissions.

3. Significant accounting policies (continued)

(p) Critical accounting judgements

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

Functional currency

The Corporation uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, the Corporation gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. The Corporation also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Business combinations

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

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

Leases

The Corporation has made significant judgements related to the lessee accounting under IFRS 16, which are described in Note 4.

Control, joint control or significant influence

When determining the appropriate basis of accounting for the Corporation's interests in Kaajenga (Note 12), the Corporation makes judgments about the degree of influence that it exerts over the investees' relevant activities to determine whether the Corporation has control, joint control or significant influence. At September 30, 2019, MPXI had an interest of 20% in Kaajenga and a call option to purchase the remaining 80% interest. MPXI did not consider that this call option provided the Corporation with control over Kaajenga, because of the operational barriers to exercise the call option.

(q) Critical accounting estimates

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

3. Significant accounting policies (continued)

(q) Critical accounting estimates (continued)

Valuation of biological assets and inventory

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

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

Depreciation of property, plant and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets. Information about these estimates is included in Notes 9 and 10.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Corporation's stock price and the risk-free interest rate are used. To calculate the share-based compensation expense related to employee performance milestones associated with the terms of an acquisition, the Corporation must estimate the number of shares that will be earned and when they will be exercised based on estimated discounted probabilities. Information about these estimates is included in Note 20.

Business combinations

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

Fair value measurements

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

Information about the valuation techniques and inputs used in determining the fair value of biological assets is disclosed in Note 8, the acquired intangible assets in Note 10 and financial instruments in Note 27.

4. Changes in significant accounting policies

MPXI has applied the following new or amended IFRS standards, applicable for annual periods beginning on or after October 1, 2019:

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.

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 September 30, 2020, the carrying amount of property right-of-use assets is $3,678,583 (October 1, 2019 – $4,143,052). The Corporation presents lease liabilities separately from other liabilities in the statement of financial position.

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.

(in Canadian dollars)

4. Changes in significant accounting policies (continued)

IFRS 16 – Leases (continued)

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.

Impacts on transition

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

	September 30, 2019
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 arises as a result of derecognition of lease inducements previously recorded under IAS 17.

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 8.28%.

	September 30, 2019
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	(1,501,259)
Lease liability at Oct 1, 2019	$ 5,011,571

A continuity of right-of-use assets for the year ended Sept 30, 2020, is as follows:

	September 30, 2020
Right-of-use assets at Oct 1, 2019	$ 4,143,052
Lease additions	1,197,613
Amortization for the year	(974,070)
Disposals	(743,266)
Lease remeasurement	(125,010)
Net foreign exchange differences	180,264
Right-of-use assets at Sept 30, 2020	$ 3,678,583

(in Canadian dollars)

4. Changes in significant accounting policies (continued)

IFRS 16 – Leases (continued)

A continuity of right-of-use liabilities for the year ended Sept 30, 2020, is as follows:

	September 30, 2020
Right-of-use liabilities at Oct 1, 2019	$ 5,011,571
Lease additions	1,197,613
Lease payments	(1,406,247)
Interest expense on lease liabilities	437,667
Disposals	(61,128)
Lease modification	(142,027)
Net foreign exchange differences	174,607
Right-of-use liabilities at Sept 30, 2020	$ 5,212,056
Current portion – payable within 12 months	$ 1,164,879
Non-current portion	4,047,177
Right-of-use liabilities at Sept 30, 2020	$ 5,212,056

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

Less than one year	$ 1,395,381
One to five years	3,972,607
More than five years	1,321,547
Total undiscounted lease liabilities at Sept 30, 2020	$ 6,689,535

Amendments to IFRS 16 – Leases (COVID-19 Related Rent Concessions)

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to

account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements not yet authorized for issue. The Corporation adopted this amendment during the year ended September 30, 2020, however it did not have a material impact to the Corporation's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of recognition and measurement requirements in IAS 12 *Income taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Corporation's fiscal year beginning on October 1, 2019, with earlier application permitted. MPXI has adopted IFRIC 23 in its consolidated financial statements for the period beginning on October 1, 2019 with no resulting adjustments.

4. Changes in significant accounting policies (continued)

Future Accounting Policies not yet Adopted

Amendment to IFRS 3 – Business combinations

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments revise the existing requirements for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as Interbank Offered Rates ("IBOR"). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation is currently evaluating the potential impact of these amendments and does not expect significant impacts on the Corporation's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Corporation is currently evaluating the potential impact of these amendments on the Corporation's consolidated financial statements.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Corporation is currently evaluating the potential impact of these amendments on the Corporation's consolidated financial statements.

5. Acquisitions

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

Acquisition of Spartan

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

The purchase price is satisfied through the issuance of 4,687,500 common shares of MPX Bio (the "MPX Bio Shares") and 1,304,348 common share purchase warrants of MPX Bio (the "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[1] during the Sales Period attributable to the Spartan (achieved);

2) The total aggregate sales attributable to Spartan of 485,000 Cannabis Sales Units[1] during the Sales Period of which 45,000 (amended from 90,000) Cannabis Sales Units are sold by Canveda (achieved);

3) The total aggregate sales attributable to Spartan of 885,000 Cannabis Sales Units[1] during the Sales Period of which 315,000 are sold by Canveda (not achieved); and

4) The total aggregate sales attributable to Spartan of 1,290,000 Cannabis Sales Units[1] during the Sales Period of which 570,000 are sold by Canveda (not achieved).

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

(in Canadian dollars)

5. Acquisitions

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

Acquisition of Spartan (continued)

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

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

(i) Goodwill

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

(ii) Consideration paid

Based on current trends and historical monthly sales, the Corporation expects the cumulative sales milestones related to the contingent consideration to be achieved in the fiscal year 2020 and 2021. The Corporation has measured the contingent consideration payable based on all milestones being achieved in advance of the expiry of the agreement in October 2022. As at the acquisition date, the Corporation has estimated the liability at $3,796,561. The Corporation has used the present value method with a discount rate of 10% to measure this liability as at September 30, 2019. The fair value of the MPX Bio Shares is estimated using the quoted share price of $1.04 at the date of acquisition. The fair value of MPXI 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 $1,118,779 and net profit of $271,060 to the Corporation for the period from October 22, 2018 to September 30, 2019. If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and profit for the year ended September 30, 2019 would have been $1,121,630 and $239,411, respectively.

Acquisition related costs

The Corporation also agreed to pay a 5% finder's fee (transaction costs) equal to $43,750 through the issuance of 39,062 MPX 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.

Acquisition of HolyWeed

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

(in Canadian dollars)

5. Acquisitions (continued)

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

Acquisition of HolyWeed (continued)

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

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

2) 20% of the MPXI Shares issued will be released upon confirmation of an annualized revenue run-rate of CHF 5,000,000 with a minimum of three consecutive months of net sales revenue less tobacco tax in excess of CHF 420,000 from HolyWeed (not achieved); and

3) 40% of the MPXI Shares issued will be released upon confirmation of achieved EBITDA of CHF 1,600,000 for the twelve-month trailing period, which shall include a minimum of three consecutive months of EBITDA in excess of CHF 133,000 (not achieved).

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

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

Cash	$ 69,025
Accounts receivable	27,174
Biological assets (i)	410,895
Inventory (ii)	1,060,368
Prepaids	15,290
Property, plant and equipment	53,544
Intangible asset – Trademark (iii)	1,609,539
Intangible asset – Customer relationships (iv)	1,029,146
Intangible asset – process expertise	178,142
Goodwill (v)	13,415,015
Accounts payable and accrued liabilities	(150,429)
Short-term loans	(1,338,378)
Note payable	(850,370)
Other liabilities	(71,610)
Deferred tax liability	(477,333)
Net assets acquired	$ 14,980,018
Common shares (Note 18)	$ 3,131,351
Contingent consideration (Note 18)	11,848,667
Total consideration paid for acquisition (vi)	$ 14,980,018

(i) Biological assets

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

5. Acquisitions (continued)

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

Acquisition of HolyWeed (continued)

(ii) Inventories

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

(iii) Intangible asset – Trademark

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

(iv) Intangible asset – Customer list

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

(v) Goodwill

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

(vi) Consideration paid

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

Revenue and profit contribution

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

Acquisition related costs

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

(in Canadian dollars)

5. Acquisitions (continued)

(b) Asset acquisitions completed in the year ended September 30, 2020

Acquisition of MCLN

On December 3, 2019, the Corporation completed the acquisition of all the remaining outstanding shares (80%) of MCLN (formerly 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 common share purchase warrants of MPXI (the "KJ Warrants") to the shareholders of Kaajenga. Each KJ 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 (i)	$	3,048,092
Accounts payable and accrued liabilities		(80,903)
Net assets acquired	$	2,967,189
Previously held interest (carry-over basis) (Note 12)	$	245,467
MPXI Shares (Note 18)		1,402,547
Warrants (Note 21)		765,945
Short-term loan to acquisition target		494,285
Transaction costs		58,945
Total consideration paid for acquisition	$	2,967,189

(i) Intangible asset

The intangible asset is a platform that provides members with educational materials, connects them with select licensed producers, and facilitates the sales of cannabis products. The platform meets the criteria under IAS 38 to be recognized as an intangible asset.

Acquisition of First Growth

On February 19, 2020, the Corporation completed the acquisition of 80% of the issued and outstanding shares of 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 settlement of the Company's previous loans to First Growth and transaction costs incurred.

In addition, the Corporation will issue common share purchase warrants (the "FG Warrants") with a total exercise price of up to US$5,000,000, for future services assisting First Growth in obtaining a cultivation and import/export license from South African Health Products Regulatory Authority. The FG warrants are for post-combination services and accounted for in accordance with IFRS 2 as further described in Note 19.

5. Acquisitions (continued)

(b) Asset acquisitions completed in the year ended September 30, 2020 (continued)

Acquisition of First Growth (continued)

The Corporation will also make royalty payments, to be paid on a quarterly basis. The royalty payments are treated as executory payments and is excluded from the initial measurement of the asset acquisition. The Corporation also granted 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 $380,508 were incurred relating to the acquisition.

The FG 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) $0.35 with respect to FG Warrant B and C and $0.42 with respect to FG Warrant D, E and F; and (b) the 5-day volume average weighted price ("VWAP") on the day the respective milestone is met, unless otherwise indicated below:

1. FG 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 FG Warrants will have an exercise price equal to $0.35 per MPXI Share.
2. FG Warrant B: Total exercise price of US$500,000 on receipt of the License.
3. FG 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. FG 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. FG 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. FG 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 FG 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 FG Warrants. See Note 19 for the accounting and underlying assumptions used in valuing the FG 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 FG 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.

(in Canadian dollars)

5. Acquisitions (continued)

(b) Asset acquisitions completed in the year ended September 30, 2020 (continued)

Acquisition of First Growth (continued)

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. The put option is a derivative liability and the fair value was estimated at $Nil.

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	2,858,532
ROU asset	354,066
Accounts payable and accrued liabilities	(82,081)
ROU liability	(354,066)
Promissory note	(661,550)
Loans from related parties	(46,305)
Non-controlling interest	(492,057)
Net assets acquired	$ 1,968,228
Transaction costs	$ 380,508
Short-term loan to acquisition target	1,587,720
Total consideration paid for acquisition	$ 1,968,228

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

Acquisition of MPX Australia

On February 15, 2019 (1% for no consideration) and July 22, 2019 (49%), the Corporation completed the acquisition of all of the remaining outstanding shares (50%) of MPX Australia. On July 22, 2019, the Corporation obtained control over MPX Australia (the “MPX Australia Acquisition”). At the date of acquisition, MPX Australia was in the process of the build out of a facility in Launceston, which is intended to be in production by mid 2020. The facility is intended to be used for indoor cultivation, extraction and manufacture of medical cannabis products. The acquisition of the remaining interests in MPX Australia is another milestone for the Corporation’s international expansion strategy that will provide MPXI 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 (issued);

(in Canadian dollars)

5. Acquisitions (continued)

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

Acquisition of MPX Australia (continued)

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 (lease surrendered); and
3. 2,305,019 MPXI Shares upon the earliest of: (i) the first successful harvest; (ii) the first material export; or (iii) immediately prior to the closing or occurrence of a change of control of MPX Australia.

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

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

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

Cash	$	125,991
Accounts receivable		8,896
Property, plant and equipment		430,338
Accounts payable and accrued liabilities		(4,221)
Short-term loans		(423,612)
Net assets acquired	$	137,392
Previously held interest (carry-over basis)	$	-
Common shares (Note 18)		137,392
Total consideration paid for acquisition	$	137,392

Acquisition of Alphafarma

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

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

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(in Canadian dollars)

5. Acquisitions (continued)

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

Acquisition of Alphafarma (continued)

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

Intangible asset – lease contract GMP-ready facility (i)	$ 2,797,602
Net assets acquired	$ 2,797,602
Cash	$ 2,224,800
Common shares (Note 18)	430,000
Warrants (Note 20)	76,432
Transaction costs (Note 18)	66,370
Total consideration paid for acquisition	$ 2,797,602

(i) Intangible assets – lease contract GMP ready facility

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

6. Accounts receivable

	September 30, 2020	September 30, 2019
Trade receivables	**$ 437,196**	$ 306,380
Other receivables	**104,490**	221,344
HST and VAT receivable	**838,404**	551,830
	$ 1,380,090	$ 1,079,554

Expected credit losses for the year ended September 30, 2020 was $45,916 (September 30, 2019 – $36,983). Accounts receivable more than 90 days past due totalled $66,193 at September 30, 2020 (September 30, 2019 – $44,043).

7. Inventory

	Capitalized, cost	Biological asset fair, value adjustment	September 30, 2020
Dry cannabis			
Finished goods	$ 54,195	$ 73,757	$ 127,952
Work-in-process	1,687,958	2,321,086	4,009,044
Products for resale	188,748	-	188,748
Seeds	59,327	-	59,327
	$ 1,990,228	$ 2,394,843	$ 4,385,071

(in Canadian dollars)

7. Inventory (continued)

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

As at September 30, 2020, the Corporation held 96,172,826 grams of dry cannabis (65,163 grams of finished goods, 96,107,663 grams of work-in-process) (September 30, 2019 – 6,631,444 grams of dry cannabis (98,646 grams of finished goods, 6,211,329 grams of work-in-process)).

Inventory expensed during the year ended September 30, 2020, was $569,742 (for the year ended September 30, 2019 – $291,535). During the year ended September 30, 2020, inventories have been reduced by $9,972,399 (for the year ended September 30, 2019 – $131,219) due to a decline in market prices as well as spoilage. This write-off was recognized as an expense during 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 September 30, 2020 are as follows:

	September 30, 2020	September 30, 2019
Balance, beginning of year	**$ 6,404,755**	$ 40,552
Acquired biological assets	**-**	410,895
Net increase in fair value less cost to sell due to biological transformation	**2,032,120**	5,150,607
Net increase in biological assets due to capitalized costs	**965,489**	2,369,965
Transferred to inventory upon harvest	**(9,498,001)**	(1,513,151)
Net foreign exchange differences	**534,888**	(54,113)
Balance, end of year	**$ 439,251**	$ 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.

(in Canadian dollars)

8. Biological assets (continued)

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

Significant unobservable inputs	Range	Weighted Average	Sensitivity	Decrease in fair value of biological assets at September 30, 2020
Average harvest yield, which incorporates estimates around wastage	58 grams to 148 grams per plant	94 grams per plant	A 5% decrease in the expected yield per plant would result in a significant decrease in fair value, and vice versa.	$21,963
Average selling prices, which varies depending on strain	$1.85 to $3.47 per gram	$2.87per gram	A 5% decrease in the selling price per strain would result in a significant decrease in fair value, and vice versa.	$21,963
Standard costs	$0.97 per gram	$0.97 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 15 weeks	9.55 weeks	A decrease of 1 week in the stage of growth would result in a significant decrease in fair value, and vice versa.	$29,283

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at September 30, 2020, it is expected that the Corporation's cannabis plants biological assets will yield approximately 300,677 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 years ended September 30, 2020 and September 30, 2019 is as follows:

	September 30, 2020	September 30, 2019
Unrealized change in fair value of biological assets	**$ 2,032,120**	$ 5,150,607
Realized fair value increments on inventory sold during the period	**(210,468)**	(87,429)
Net effect of changes in fair value of biological assets and inventory	**$ 1,821,652**	$ 5,063,178

(in Canadian dollars)

9. Property, plant, and equipment

The continuity of property, plant and equipment for the year ended September 30, 2020, is as follows:

Gross carrying amount	Leasehold improvements	Equipment	Furniture and Fixtures	Vehicle	Total
Balance, October 1, 2019	$ 3,565,586	$ 1,790,205	$ 69,270	$ 41,733	$ 5,466,794
Asset acquisitions	2,858,532	-	-	-	2,858,532
Additions	1,933,142	2,270,761	14,659	24,410	4,242,972
Disposals	(1,545,019)	(493,336)	-	-	(2,038,355)
Net foreign exchange	(235,758)	33,665	-	3,720	(198,373)
Balance, Sept 30, 2020	$ 6,576,483	$ 3,601,295	$ 83,929	$ 69,863	$ 10,331,570
Depreciation					
Balance, October 1, 2019	$ (907,858)	$ (247,061)	$ (3,924)	$ (4,019)	$ (1,162,862)
Depreciation	(368,169)	(217,741)	(11,110)	(16,889)	(613,909)
Disposals	-	5,309	-	-	5,309
Net foreign exchange	-	(1,463)	(45)	(994)	(2,502)
Balance, Sept 30, 2020	$ (1,276,027)	$ (460,956)	$ (15,079)	$ (21,902)	$ (1,773,964)
Carrying amount, September 30, 2020	$ 5,330,456	$ 3,140,339	$ 68,850	$ 47,961	$ 8,557,606
Carrying amount, October 1, 2019	$ 2,657,728	$ 1,543,144	$ 65,346	$ 37,714	$ 4,303,932

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

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

* $218,188 of the depreciation charged for the period has been capitalized in biological assets at Sept 30, 2020 ($165,906 at September 30, 2019).

(in Canadian dollars)

10. Intangible assets

A continuity of intangible assets for the year ended September 30, 2020, is as follows:

Gross carrying amount	**Licenses**	**Trademarks**	**Customers lists**	**Platform**	**Lease & Other**	**Total**
Balance, October 1, 2019	$ 23,066,749	$1,603,741	$ 1,025,438	$ -	$2,900,786	$28,596,714
Asset acquisitions	-	-	-	3,048,092	-	3,048,092
Additions	1,129,459	-	-	-	-	1,129,459
Impairment (i)	-	-	(380,661)	-	-	(380,661)
Net foreign exchange	84,172	145,564	113,497	-	241,102	584,335
Balance, Sept 30, 2020	$24,280,380	$1,749,305	$ 758,274	$3,048,092	$3,141,888	$32,977,939
Amortization						
Balance, October 1, 2019	$(2,258,282)	$ (53,458)	$ (31,074)	$ -	$ (91,900)	$(2,434,714)
Amortization	(2,559,855)	(169,446)	(98,495)	-	(615,963)	(3,443,759)
Impairment (i)	-	-	31,722	-	-	31,722
Net foreign exchange	-	(10,335)	(4,982)	-	(30,480)	(45,797)
Balance, Sept 30, 2020	$(4,818,137)	$(233,239)	$ (102,829)	$ -	$(738,343)	$(5,892,548)
Carrying amount, September 30, 2020	$19,462,243	$1,516,066	$ 655,445	$3,048,092	$2,403,545	$27,085,391
Carrying amount, October 1, 2019	$20,808,467	$1,550,283	$994,364	$ -	$2,808,886	$26,162,000

(i) The impairment related to a customer that was lost during the year ended September 30, 2020.

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

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

(in Canadian dollars)

11. Goodwill

The effect of changes in the goodwill is as follows:

	September 30, 2020	September 30, 2019
Balance, beginning of year	**$ 18,270,892**	$ -
Spartan Acquisition (Note 5 (a))	**-**	4,904,204
HolyWeed Acquisition (Note 5 (a))	**-**	13,415,015
Impairment	**(14,122,604)**	-
Net foreign exchange differences	**755,916**	(48,327)
Balance, end of year	**$ 4,904,204**	$ 18,270,892

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

Canada

The Corporation tested the segment goodwill for impairment in the fourth quarter of the year ended September 30, 2020. Management estimated the recoverable amount of the Canada operating segment to which goodwill has been allocated based on its fair values less costs of disposal and determined that the carrying value of goodwill was not impaired. The fair value less costs of disposal were estimated using discounted future cash flows for a period of up to 10 years. The fair value measurements were categorized as 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 discount rates (25% - 30%) and the terminal value growth rate (2%). The cash flow projections included specific estimates for 5 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.

Europe/Africa

The Corporation tested the segment goodwill for impairment in the fourth quarter of the year ended September 30, 2020. Management estimated the recoverable amount of the Europe/Africa operating segment to which goodwill has been allocated based on its fair values less costs of disposal and determined that the carrying value of goodwill was impaired. The fair value less costs of disposal were estimated using discounted future cash flows for a period of up to 10 years. The fair value measurements were categorized as 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 discount rates (25% - 30%) and the terminal value growth rate (2%). The cash flow projections included specific estimates for 5 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.

The Corporation has recorded goodwill impairment of $14,122,604 relating to the Europe/Africa operating segment.

(in Canadian dollars)

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 year ended September 30, 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.

		Effective ownership and voting rights held	
Name of associate	Principal place of business	September 30, 2020	September 30, 2019
Kaajenga	Canada	100%	20%

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

	September 30, 2020	September 30, 2019
Balance, beginning of year	**$ 278,937**	$ -
Initial investment	**-**	309,245
Share of losses	**(33,470)**	(30,308)
Derecognition	**(245,467)**	-
Balance, end of year	**$ -**	$ 278,937

13. Accounts payable and accrued liabilities

	September 30, 2020	September 30, 2019
Trade payables	**$ 4,542,844**	$ 1,253,583
Accrued liabilities	**1,610,405**	1,809,072
Sales tax payable	**53,140**	124,683
	$ 6,206,389	$ 3,187,338

14. Contingent consideration payable

	September 30, 2020	September 30, 2019
Balance, beginning of year	**$ 1,920,600**	$ -
Acquisition of Spartan	**-**	3,796,561
Accretion of contingent consideration payable	**79,954**	257,286
Issued shares and warrants	-	(209,331)
Shares and warrants to be issued (included in accrued liabilities in Note 13)	**(105,939)**	(277,267)
Remeasurement of contingent consideration payable at fair value	**(1,894,615)**	(1,646,649)
Balance, end of year	**$ -**	$ 1,920,600

Pursuant to the terms of the Spartan Acquisition, the Corporation committed to providing the Sellers with MPX Bio Shares and MPX Bio Warrants based on the achievement of certain agreed sales milestones. As at September 30, 2020, the Corporation does not expect the remaining milestones to be achieved.

(in Canadian dollars)

14. Contingent consideration payable (continued)

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.

The Corporation has measured the contingent consideration payable based on all milestones being achieved in advance of the expiry of the agreement in October 2022. As at September 30, 2020, the Corporation has estimated the liability at $Nil (September 30, 2019 - $1,920,600) on the consolidated statement of financial position.

	Discount rate	September 30, 2020	September 30, 2019
Present value of expected repayments	10.00%	$ -	$ 1,920,600
Less: current portion		-	985,436
		$ -	$ 935,164

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 September 30, 2020, the remaining principal balance of $666,950 (US$500,000) is recorded on the consolidated statement of financial position.

The 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.

(in Canadian dollars)

15. Promissory note (continued)

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

	Principal repayments	Net amount
2020	$ -	$ -
2021	666,950	666,950
	$ 666,950	$ 666,950

16. Term loans - CEBA

During year ended September 30, 2020, the Corporation received $120,000 in interest-free loans from the CEBA to cover operating costs. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of $30,000. The loan can be extended after this initial period to December 31, 2025 at an interest rate of 5% per annum.

17. Convertible debentures

The Corporation closed the first three tranches of a private placement offering (the "Offering") of units (the "Units") of the Corporation on June 30, 2020, July 31, 2020 and September 17, 2020, respectively, (the "Closing Dates"). The closing of the first tranche of the Offering resulted in the issuance of 3,348 Units at a price of US$1,000 for aggregate gross proceeds of $4,559,869 (US$3,348,000). The closing of the second tranche of the Offering resulted in the issuance of 346 Units at a price of US$1,000 for aggregate gross proceeds of $467,448 (US$346,000). The closing of the third tranche of the Offering resulted in the issuance of 800 Units at a price of US$1,000 for aggregate gross proceeds of $1,056,000 (US$800,000).

Each Unit consists of one 12% secured convertible debenture of the Corporation (a "Debenture") in the principal amount of US$1,000 (the "Principal Amount") and 7,000 common share purchase warrants (each, a "Unit Warrant"). Each Debentures will have a maturity date of twenty-four (24) months from its respective date of issuance (the "Maturity Date").

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 its respective 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 Corporation has the right to pre-pay, without penalty, the Principal Amount and any accrued and unpaid interest thereon at any time before the Maturity Date (the "Call Option"). The Debentures are secured against assets of the Corporation.

The Principal Amount, shall be convertible, into MPXI 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 $0.12 per MPXI Share translated at an exchange rate of 1.36 (the "Conversion Option").

Each Warrant entitles the holder thereof to purchase one MPXI Share (each, an "Unit Warrant Share") at an exercise price of $0.20 (the "Exercise Price") for a period of twenty-four (24) months from its respective Closing Date (the "Expiry Date").

In connection with services related to the first tranche the Offering, the Corporation paid cash fees and commissions of $291,470 (US$213,876) and issued an aggregate of 989,999 compensation warrants (the "T1 Compensation Warrants"). Each T1 Compensation Warrant entitles the holder to acquire one MPXI Share at an exercise price of $0.20 per MPXI Share until the Maturity Date of the first tranche the Offering. The T1 Compensation Warrants have been valued at $40,216 (US$29,510) using the Black Scholes option pricing model with the following weighted average assumptions: share price of $0.11; expected dividend yield of 0%; expected volatility of 98.36%; risk free interest rate of 0.28%; and an expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

17. Convertible debentures (continued)

In connection with services related to the third tranche of the Offering, the Corporation paid cash fees and commissions of $6,600 (US$5,000) and issued an aggregate of 91,666 compensation warrants (the "T3 Compensation Warrants"). Each T3 Compensation Warrant entitles the holder to acquire one MPXI Share at an exercise price of $0.20 per Commons Share until the Maturity Date of the third tranche of the Offering. The T3 Compensation Warrants have been valued at $3,794 (US$2,874) using the Black Scholes option pricing model with the following weighted average assumptions: share price of $0.11; expected dividend yield of 0%; expected volatility of 99.66%; risk free interest rate of 0.26%; and an expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

The Corporation used the residual value method to allocate the proceeds of the first three tranches of the Offering between the liability components of the Debentures, the Call Options, the Conversion Options, and the Unit Warrants. The liability components of the Debentures are measured at fair value. For each Debenture, the Call Option and the Conversion Option are considered a combined derivative liability (each a "Conversion Feature"). The Conversion Features are also measured at fair value. The value of the Unit Warrants are measured as the difference between the face value of the Debentures, the fair value of the liability components of the Debentures, and the fair value of the Conversion Features.

Tranche 1:

The Corporation estimated the fair value of the liability components of the Debentures determined using a binomial lattice model with a risk adjusted interest rate of 26.00%. The liability components have been subsequently measured at amortized cost using an effective interest rate of 31.40%, which takes into consideration transaction costs. The Corporation estimated the fair value of the Conversion Features using a binomial lattice model with the following assumptions: risk free interest rate of 0.25%; share price of $0.11; expected dividend yield of 0% and expected volatility of 100%. Based on these estimates, the liability components of the Debentures were $3,530,959 (US$2,590,959), the Conversion Features were $796,574 (US$584,513), and the Unit Warrants were $235,121 (US$172,528) on issuance. On September 30, 2020, the fair value of the Conversion Features is estimated at $553,410 using a binomial lattice model with the following assumptions: risk free interest rate of 0.22%; share price of $0.10; expected dividend yield of 0% and expected volatility of 90%. As a result, the Corporation recorded an unrealized gain on the change in fair value of derivative liability for the year ended September 30, 2020 of $243,163 in the consolidated statements of loss and comprehensive loss.

Financing fees of $256,686 (US$188,352) were allocated to the liability components of the Debentures and were recorded in the consolidated statements of financial position. Financing fees of $57,908 (US$42,492) were allocated to the Conversion Features and were recorded in the consolidated statements of loss and comprehensive loss. Financing fees of $17,092 (US$12,542) were allocated to the Unit Warrants and were recorded in the consolidated statements of financial position.

17. Convertible debentures (continued)

Tranche 2:

The Corporation estimated the fair value of the liability components of the Debentures determined using a binomial lattice model with a risk adjusted interest rate of 24.91%. The liability components have been subsequently measured at amortized cost using an effective interest rate of 25.65%, which takes into consideration transaction costs. The Corporation estimated the fair value of the Conversion Features using a binomial lattice model with the following assumptions: risk free interest rate of 0.23%; share price of $0.105; expected dividend yield of 0% and expected volatility of 95%. Based on these estimates, the liability components of the Debentures were $366,400 (US$273,351), the Conversion Features were $71,870 (US$53,618), and the Unit Warrants were $25,508 (US$19,030) on issuance. On September 30, 2020, the fair value of the Conversion Features is estimated at $61,769 using a binomial lattice model with the following assumptions: risk free interest rate of 0.22%; share price of $0.10; expected dividend yield of 0% and expected volatility of 90%. As a result, the Corporation recorded an unrealized gain on the change in fair value of derivative liability for the year ended September 30, 2020 of $10,101 in the consolidated statements of loss and comprehensive loss.

There were no financing fees recorded in connection with the second tranche of the Offering.

Tranche 3:

The Corporation estimated the fair value of the liability components of the Debentures determined using a binomial lattice model with a risk adjusted interest rate of 25.37%. The liability components have been subsequently measured at amortized cost using an effective interest rate of 26.78%, which takes into consideration transaction costs. The Corporation estimated the fair value of the Conversion Features using a binomial lattice model with the following assumptions: risk free interest rate of 0.24%; share price of $0.11; expected dividend yield of 0% and expected volatility of 90%. Based on these estimates, the liability components of the Debentures were $828,237 (US$627,452), the Conversion Features were $173,754 (US$131,632)), and the Unit Warrants were $54,009 (US$40,916) on issuance. On September 30, 2020, the fair value of the Conversion Features is estimated at $159,471 using a binomial lattice model with the following assumptions: risk free interest rate of 0.22%; share price of $0.10; expected dividend yield of 0% and expected volatility of 90%. As a result, the Corporation recorded an unrealized gain on the change in fair value of derivative liability for the year ended September 30, 2020 of $14,283 in the consolidated statements of loss and comprehensive loss.

In connection with the third tranche of the Offering, financing fees of $8,152 (US$6,176) were allocated to the liability components of the Debentures and were recorded in the consolidated statements of financial position. Financing fees of $1,710 (US$1,296) were allocated to the Conversion Features and were recorded in the consolidated statements of loss and comprehensive loss. Financing fees of $532 (US$402) were allocated to the Unit Warrants and were recorded in the consolidated statements of financial position.

(in Canadian dollars)

18. Share capital

a) Authorized

Unlimited number of common shares without par value

b) Common shares issued

	Number of common shares		Value
Balance, September 30, 2018	-	$	-
Issued pursuant to the Arrangement (Note 1) (i)	45,304,966		31,921,220
Shares issued pursuant to the Offering (ii)	56,052,421		26,905,163
Allocated to Warrants (ii)	-		(11,277,103)
Share issuance costs	-		(533,752)
HolyWeed Acquisition (Note 5) (iii)	25,252,830		14,980,018
MPX Australia Acquisition (Note 5) (v)	327,123		137,392
Alphafarma Acquisition (Note 5) (vi)	1,142,484		496,370
Investment in equity method investees (Note 12) (iv)	245,098		113,971
Settlement of contingent consideration (vii)	461,425		198,413
Consulting fees (viii)	1,391,750		662,650
Exercise of options	2,358,326		-
Exercise of Warrants	2,607,764		-
Balance, September 30, 2019	135,144,187	$	63,604,342
Kaajenga Acquisition (Note 5) (ix)	3,224,247		1,402,547
Australia Milestone (Note 5) (x)	2,689,189		1,129,459
Exercise of Warrants	612,602		-
Balance, September 30, 2020	141,670,225	$	66,136,348

18. Share capital (continued)

b) Common shares issued (continued)

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

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

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

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

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

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

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

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

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

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

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

(ix) 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.

(in Canadian dollars)

18. Share capital (continued)

b) Common shares issued (continued)

(x) 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.

19. Other equity

Balance, September 30, 2018	$ 26,115,553
Share-based compensation (i)	229,074
Contributions and net change in investment (i)	8,041,619
Net income (loss) and comprehensive income (loss) for the period (i)	(2,465,026)
Transfer to MPXI share capital (i)	(31,921,220)
Balance, September 30, 2019	$ -
Warrants to be issued (ii)	512,705
Balance, September 30, 2020	$ 512,705

(i) For reporting periods prior to the Arrangement on February 5, 2019, MPX's direct ownership of the net assets is shown as a net investment in other equity because share capital did not exist. MPX's net investment includes the accumulated net loss and net cash investments, including any foreign exchange translation effect of the foreign operations. At the close of the Arrangement, the carrying amount of the net investment of $31,921,220 was transferred to the share capital of MPXI.

(ii) Pursuant to the investment agreement in connection to the First Growth Acquisition, the Corporation will issue common share purchase warrants (the "FG Warrants") with a total exercise price of up to US$5,000,000 upon achievement of certain milestones (see Note 5). The Corporation considers the warrants to be consideration for future services to assist First Growth in obtaining a cultivation and import/export license from South African Health Products Regulatory Authority. The FG Warrants are accounted for as an equity-settled share-based payment awards in accordance with IFRS 2. The warrants include service conditions with non-market performance conditions and non-vesting conditions. The non-vesting conditions are reflected in determining the warrants' fair value, which is attributed to profit or loss over the requisite service period. At each reporting date, the Corporation measures share-based payment expense at the fair value of the underlying instruments expected to vest, and attributes it to profit or loss over time as services are rendered.

At September 30, 2020, the fair value of Warrant A has been estimated at $83,826, using the Black Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.25%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

At September 30, 2020, the fair value of Warrant B has been estimated at $95,786, using a Monte Carlo Simulation with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.34%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

At September 30, 2020, the fair value of Warrant C has been estimated at $170,492, using a Monte Carlo Simulation with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.34%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

At September 30, 2020, the fair value of Warrant D has been estimated at $139,814, using a Monte Carlo Simulation with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.34%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

(in Canadian dollars)

19. Other equity (continued)

At September 30, 2020, the fair value of Warrant E has been estimated at $48,339, using a Monte Carlo Simulation with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.34%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

At September 30, 2020, the fair value of Warrant F has been estimated at $95,953, using a Monte Carlo Simulation with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free interest rate of 0.34%; (iv) share price of $0.117; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies.

The fair value of these FG Warrants is expensed over the expected service period which ends with obtaining the import/export license which the Corporation estimates will be in February 2021. The amount expensed for the year ended September 30, 2020 is $512,705.

20. Stock options

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

	Number of options		Weighted average exercise price
Balance, September 30, 2018	-	$	-
Granted pursuant to the Arrangement (a)	2,432,826		-
Granted (b) (c) (d)	3,775,000		0.58
Exercised	(2,358,326)		-
Expired	(200,000)		-
Balance, September 30, 2019	3,775,000	$	0.58
Expired	(175,000)		0.55
Granted (e)	87,180		0.365
Balance, September 30, 2020	3,687,180	$	0.58

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

(b) On February 26, 2019, the Corporation granted 3,175,000 stock options to employees, directors and consultants that provide services similar to employees of the Corporation at an exercise price of $0.59 per MPXI Share and expiring on February 26, 2024. The fair value of the options has been estimated at $1,332,962 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 92.36%; (iii) risk-free interest rate of 1.77%; (iv) share price of $0.59; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. 2,950,000 of the stock options vested immediately and the remaining 225,000 stock options vested on February 26, 2020. For the year ended September 30, 2020, the Corporation recorded $15,425 (2019 - $1,060,691) of share-based compensation and $857 (2019 - $171,785), of consulting fees in the consolidated statements of net loss and comprehensive loss.

(in Canadian dollars)

20. Stock options (continued)

(c) On May 29, 2019, the Corporation granted 285,000 stock options to employees and consultants of the Corporation at an exercise price of $0.60 per MPXI Share and expiring on May 29, 2024. The fair value of the options has been estimated at $111,270 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0% at May 29,2019; (ii) expected volatility of 83.44%; (iii) risk-free interest rate of 1.77%; (iv) share price of $0.59; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. The stock options vested on May 29, 2020. For the year ended September 30, 2020, the Corporation recorded $31,127 (2019 - $17,906) of share-based compensation and $38,668 (2019 - $19,895) of consulting fees in the consolidated statements of net loss and comprehensive loss.

(d) On September 19, 2019, the Corporation granted 315,000 stock options to employees and consultants of the Corporation at an exercise price of $0.45 per MPXI Share and expiring on September 19, 2024. The fair value of the options has been estimated at $92,151 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0% at September 19, 2019; (ii) expected volatility of 82.97%; (iii) risk-free interest rate of 1.46%; (iv) share price of $0.45; forfeiture rate of 5%; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. 20,000 of the stock options vested immediately and the remaining 295,000 stock options vested on September 19, 2020. For the year ended September 30, 2020, the Corporation recorded $49,266 (2019 - $7,321) of share-based compensation and $25,471 (2019 - $838) of consulting fees in the consolidated statements of net loss and comprehensive loss.

(e) 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 year ended September 30, 2020, the Corporation recorded $19,149 (2019 - $Nil) of consulting fees in the consolidated statements of net loss and comprehensive loss.

(f) For the year ended September 30, 2020, the Corporation recorded $Nil (2019 - $229,074), 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 September 30, 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 September 30, 2020:

Number of exercisable options	Number of options	Remaining life (years)		Average exercise price	Expiry date
3,050,000	3,050,000	3.41	$	0.59	Feb 26, 2024
285,000	285,000	3.66		0.60	May 29, 2024
265,000	265,000	3.97		0.45	Sep 19, 2024
87,180	87,180	4.37		0.365	Feb 11, 2025
3,687,180	3,687,180	3.49	$	0.58	

(in Canadian dollars)

21. Warrants

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

	Number of Warrants	Amount
Balance, September 30, 2019	59,944,574	$ 11,434,727
Kaajenga Acquisition (i) (Note 5)	3,224,247	765,945
Granted (j)	8,560	-
Private placement (Note 17)	32,539,665	358,648
Cost of issuance	-	(17,624)
Exercised	(612,602)	-
Expired	(774,009)	-
Balance, September 30, 2020	94,330,435	$ 12,541,696

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

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

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

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

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

21. Warrants (continued)

(f) On July 16, 2019, the Corporation acquired a 20% investment in Kaajenga (Note 12) and granted 245,098 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 and expire on July 16, 2024. The fair value of the warrants has been estimated at $70,275 at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 83.79%; (iii) risk-free interest rate of 1.51%; (iv) share price of $0.47; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.

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

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

(i) On December 3, 2019, the Corporation acquired the remaining 80% of Kaajenga (Note 5) and issued 3,224,247 KJ Warrants as part of the consideration. Each KJ 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 KJ 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.

(j) During the year ended September 30, 2020, the Corporation granted 8,560 common share purchase warrants. Each warrant entitles the holder thereof, pursuant to and in accordance with the warrant certificates, to acquire one MPXI Share at a price of $Nil per MPXI Share and expire on December 22, 2019. This grant was recorded at $Nil. All of these warrants were exercised immediately.

(in Canadian dollars)

21. Warrants (continued)

The following table reflects the outstanding warrants as at September 30, 2020:

Number of Warrants	Exercise price	Expiry date
407,734	$ -	May 25, 2021
11,411	-	Oct 1, 2021
234,262	-	Jan 19, 2022
588	-	May 5, 2022
24,425,999	0.20	Jun, 30, 2022
2,422,000	0.20	Jul, 31, 2022
68,181	0.77	Aug 6, 2022
5,691,666	0.20	Sep, 17, 2022
180,000	-	Oct 30, 2022
470,000	-	Mar 2, 2023
596,828	-	Jun 8, 2023
56,052,421	0.60	Mar 21, 2024
245,098	0.61	Jul 16, 2024
300,000	0.63	Aug 6, 2024
3,224,247	0.61	Dec 3, 2024
94,330,435	$ 0.45	

22. Revenue

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

	Year Ended September 30, 2020	Year Ended September 30, 2019
Sale of goods	**$ 917,093**	$ 547,374
Referral revenues [(i)]	**2,337,751**	1,118,779
Gross Revenue	**$3,254,844**	$ 1,666,153

[(i)] Revenue from referring customers to certain Licensed Producers (see Note 3).

Revenue from external customers by geographic areas

	Year Ended September 30, 2020	Year Ended September 30, 2019
Canada	**$ 2,460,784**	$ 1,515,468
Switzerland	**794,060**	150,685
Gross revenue	**3,254,844**	1,666,153
Excise taxes	**(83,373)**	(74,623)
Net revenue	**$ 3,171,471**	$ 1,591,530

(in Canadian dollars)

23. General and administrative

	Year Ended September 30, 2020	Year Ended September 30, 2019
Occupancy costs	**$ 455,101**	$ 668,282
Consulting fees	**3,754,582**	2,865,663
Office and general	**3,532,076**	1,511,573
Repairs and maintenance	**44,617**	142,023
Salaries and benefits	**5,107,858**	2,341,916
Project costs	**-**	51,173
Sales and marketing	**450,078**	948,175
Regulatory expenses	**251,736**	127,909
	$13,596,048	$ 8,656,714

24. Income taxes

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

	September 30, 2020	September 30, 2019
Income taxes comprises:		
Current tax expense	**$ 71,664**	$ -
Deferred tax (recovery) expense	**(758,575)**	258,000
Income tax (recovery) expense	**$ (686,911)**	$ 258,000

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2019 - 26.5%) to the income for the year and is reconciled as follows:

	September 30, 2020	September 30, 2019
Loss before income taxes	**$ (41,731,951)**	$ (9,120,406)
Expected tax rate	**26.5%**	26.5%
Expected income tax benefit based on statutory rate	**(11,058,967)**	(2,416,908)
Adjustment to expected tax benefit:		
Effect of tax rates in foreign jurisdictions	**(66,559)**	(322,064)
Non-deductible expenses	**2,044,859**	452,578
Non-taxable items	**(428,631)**	(436,362)
Share-based compensation	**22,299**	348,473
Other	**(46,537)**	(102,711)
Adjustment in respect of prior periods	**(1,190,983)**	-
Change in benefit of tax assets not recognized	**10,037,608**	2,734,994
Income tax expense	**$ (686,911)**	$ 258,000

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

(in Canadian dollars)

24. Income taxes (continued)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The effect of temporary differences and loss carry-forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended September 30, 2020 are as follows:

	September 30, 2019	Recognized in Net Income (loss	Recognized directly in equity or OCI	Foreign exchange	September 30, 2020
Deferred tax assets					
Loss carry forwards	$ 896,772	$ 67,835	$ -	$ -	$ 964,607
Other	34,766	28,050	-	-	62,816
Deferred tax assets	$ 931,538	$ 95,885	$ -	$ -	$ 1,027,423
Deferred tax liabilities					
Property, plant and equipment	$ (57,239)	$ 57,239	$ -	$ -	$ -
Intangible assets	(375,457)	8,175	-	-	(367,282)
Biological assets	(933,471)	788,128	-	-	(145,343)
ROU assets	-	(294,954)	-	-	(294,954)
Other	-	23,242	-	(23,242)	-
Inventories	(300,704)	80,860	-	-	(219,844)
Deferred tax liabilities	$ (1,666,871)	$ 662,690	$ -	$ (23,242)	$ (1,027,423)
Net deferred tax liability	$ (735,333)	$ $758,575	$ -	$ (23,242)	$ -

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

	September 30, 2020	September 30, 2019
Unutilized non-capital losses	**$ 27,426,695**	$ 10,276,013
Intangibles	**4,818,137**	-
ROU Liabilities	**2,614,764**	-
Investments in equity accounted investments	**161,899**	128,429
Share issuance costs	**360,092**	427,002
Property, plant and equipment	**393,711**	-
Convertible debentures	**277,139**	-
Lease	**-**	851,034
Income tax recovery	**$ 36,052,437**	$ 11,682,478

(in Canadian dollars)

24. Income taxes (continued)

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

	September 30, 2020
2026	$ 3,516,617
2027	3,615,087
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	776,136
2036	850,197
2037	662,034
2038	1,313,163
2039	10,015,521
2040	7,050,721
Indefinite	4,115,858
Total	$ 31,915,334

25. Related party transactions

For the year ended September 30, 2020, a director and an officer of the Corporation participated in the second tranche of the Offering for an aggregate of 212 Units for gross proceeds of $288,320 (US$212,000).

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

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

	Year Ended	
	September 30, 2020	**September 30, 2019**
Salaries and benefits	**$ 954,691**	$ 925,109
Share-based compensation	**-**	818,669
	$ 954,691	$ 1,743,778

25. Related party transactions (continued)

Related party transactions not disclosed elsewhere are summarized below:

At September 30, 2020, the Corporation has an outstanding balance of $89,786 (ZAR 1,104,932) (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.

At September 30, 2019, the Corporation was owed $413,838 from its associate Kaajenga. This amount was provided to finance the operations of Kaajenga. During the year ended September 30, 2020, the Corporation acquired all of the remaining shares of Kaajenga (see Notes 5 and 12). At September 30, 2020, all intercompany balances have been eliminated on consolidation.

The above noted transactions are agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At September 30, 2020, each of the officers and directors of the Corporation with control of less than 10% of the MPXI Shares collectively control 15,365,374 MPXI Shares or approximately 10.85% of the total MPXI Shares outstanding.

Subsequent to September 30, 2020, an officer participated in the sixth tranche of the Offering for an aggregate of 5 Units for gross proceeds of $6,800 (US$5,000).

Subsequent to September 30, 2020, a director participated in the fourth, fifth and sixth tranches of the Offering for an aggregate of 344 Units for gross proceeds of $467,840 (US$344,000).

26. Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

- To maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity (September 30, 2020: $34,020,117 and September 30, 2019: $69,337,207). The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2020. The Corporation is not subject to any external capital requirements.

27. Financial instruments - Fair values and risk management

Fair values

The carrying values of cash, restricted cash, accounts receivable, accounts payable, accrued liabilities, short-term loans, due to/from related parties and promissory note are a reasonable approximation of their fair values due to their short-term to maturity.

The option component of convertible debentures is estimated at fair value using a binomial lattice model using the following inputs: stock price (Level 1 input); risk-free rates (Level 1 input); credit spread (Level 3 input); volatility (Level 3 input).

(in Canadian dollars)

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

Fair values (continued)

Sensitivity Analysis:

Type	Valuation Technique	Key Inputs	Inter-relationship between significant inputs and fair value measurement
Convertible debentures	The fair value of the convertible debt has been calculated using a binomial lattice methodology.	*Key observable inputs* • Share price (September 30, 2020: CAD $ 0.100) • Risk-free interest rate (September 30, 2020: 0.22% to 0.25%) • Dividend yield (September 30, 2020: 0%) *Key unobservable inputs* • Discount for lack of marketability (September 30, 2020: 20%) • Credit Spread (September 30, 2020: 9.45%)	The estimated fair value would increase (decrease) if: • The share price was higher (lower) • The risk-free interest rate was higher (lower) • The dividend yield was lower (higher) • The discount for lack of marketability was lower (higher) • The credit spread was lower (higher)

Derivative liabilities, September 30, 2020

	Comprehensive loss	
	Increase	Decrease
Expected volatility (20% movement vs. the model input)	$ (23,353)	$ 46,339
Credit Spread (10% movement vs. the model input)	$ 257,247	$ (297,281)
Discount for lack of marketability (10% movement vs. the model input)	$ 117,042	$ (103,439)

Market risk

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

Foreign currency risk

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

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

Foreign currency risk (continued)

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

	CAD	EUR	AUD	USD	ZAR	CHF
Cash	$ 337,029	$ 43,924	$ 26,576	$ 596,087	$ 64,890	$ 240,304
Restricted cash	40,000	78,155	-	-	-	-
Amounts receivable	1,135,750	123,567	3,736	-	16,354	100,684
Due to related parties	-	-	-	-	89,786	-
Accounts payable and accrued liabilities	3,292,786	86,469	13,697	-	12,528	2,800,908
Short term loans	-	-	-	-	-	209,466

In relation to MPXI's operations, the Corporation is mainly exposed to the Swiss Franc and a 10% increase or decrease in the Swiss Franc against the Canadian dollar would result in a decrease or increase in net loss and comprehensive loss of approximately $1,339,551 for the year ended September 30, 2020 ($259,220 for the year ended September 30, 2019). At September 30, 2020, the Corporation has not entered into any hedging agreements or purchased any financial instruments to hedge its foreign currency risk.

Interest rate risk

The Corporation, through HolyWeed, has short-term loans of $209,466. The short-term loans are financial liabilities that are interest-bearing. These financial liabilities have a maturity date of December 31, 2020 and bear an interest rate of 12%. However, this interest rate is subject to a premium of up to 76% depending on certain EBITDA targets of HolyWeed. Subsequent to September 30, 2020, the Corporation made aggregate payments of $96,428 (CHF 67,151) against these loans. The Corporation, through First Growth, has promissory a note of $666,950. The promissory note is a financial liability that is interest-bearing. This financial liability is due on February 18, 2021 and bears an interest rate equal to U.S. LIBOR plus 3%. Given the short-term nature of these financial liabilities and the limited amount of financial liabilities, the Corporation does not bear any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. At September 30, 2020, MPXI had $1,308,811 (September 30, 2019 - $16,356,889) of (unrestricted) cash and a working capital deficit of $767,293 (September 30, 2019 – working capital of $22,543,077).

Credit risk

Credit risk is the risk of financial loss to MPXI if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from MPXI's accounts receivable. The carrying amount of cash of $1,308,811 (September 30, 2019 - $16,356,889) and accounts receivable of $1,380,090 (September 30, 2019 - $1,079,554) represent the maximum exposure to credit risk. The cash balances are held by Canadian, Swiss, Maltese, South African and Australian banks. MPXI does not have significant exposure to any individual customer and has expected credit losses $45,916 at September 30, 2020 (September 30, 2019 - $36,983).

(in Canadian dollars)

28. Segmented information and entity-wide disclosures

(a) *Operating Segments*

The Corporation's business is organized into the following three operating segments: Canada, Europe/Africa, and Asia-Pacific. The Canada operating segment's principal business activities consist of production and sale of cannabis, video learning and engagement, and patient counselling and referral services. The Europe/Africa operating segment's principal business activities consist of production and sale of cannabis and hemp related products. The Asia-Pacific operating segment's principal business activities consist of production and sale of cannabis.

	Canada	Europe/ Africa	Asia-Pacific	Total [1]
Year ended September 30,2020				
Net revenue	$ 2,362,930	$ 808,541	$ -	$ 3,171,471
Gross profit	$ 3,927,733	$ 706,116	$ -	$ 4,633,849
Interest and financing charges	$ 257,938	$ 270,829	$ -	$ 528,767
Amortization and depreciation	$ 3,185,066	$ 1,591,454	$ -	$ 4,776,520
Goodwill and intangible asset impairment	$ -	$ 14,471,543	$ -	$ 14,471,543
Inventory impairment	$ 1,559,475	$ 8,412,924	$ -	$ 9,972,399
Loss on disposal of assets and leases	$ 1,156,013	$ 887,115	$ 918,989	$ 2,962,117
Net loss before taxes	($ 10,050,570)	($ 30,468,946)	($ 1,212,435)	($ 41,731,951)
Income tax (recovery) expense	$ 71,664	($ 758,575)	$ -	($ 686,911)
Year ended September 30,2019				
Net revenue	$ 1,515,468	$ 76,062	$ -	$ 1,591,530
Gross profit	$ 2,520,867	$ 3,929,735	$ -	$ 6,450,602
Interest and financing charges	$ 4,686	$ 41,911	$ -	$ 46,597
Amortization and depreciation	$ 2,732,300	$ 107,684	$ -	$ 2,839,984
Goodwill and intangible asset impairment	$ -	$ -	$ -	$ -
Inventory impairment	$ -	$ 131,219	$ -	$ 131,219
Loss on disposal of assets	$ 71,083	$ -	$ -	$ 71,083
Net Profit (loss) before taxes	($ 10,836,735)	$ 1,776,037	($ 59,708)	($9,120,406)
Income tax (recovery) expense	$ -	$ 258,000	$ -	$ 258,000

(in Canadian dollars)

28. Segmented information and entity-wide disclosures (continues)

(b) *Geographical Segments*

	Canada	Europe/ Africa	Asia-Pacific	Total
Non- current assets				
September 30,2020	$ 29,858,596	$ 13,655,789	$ 1,213,632	$ 44,728,017
September 30,2019	$ 29,389,811	$ 19,400,309	$ 640,450	$ 49,430,570
Year ended September 30,2020				
Net revenue	$ 2,362,930	$ 808,541	$ -	$ 3,171,471
Gross profit	$ 3,927,733	$ 706,116	$ -	$ 4,633,849
Year ended September 30,2019				
Net revenue	$ 1,515,468	$ 76,062	$ -	$ 1,591,530
Gross profit	$ 2,520,867	$ 3,929,735	$ -	$ 6,450,602

Included in the revenue arising from the Canadian cannabis operating segment for the year ended September 30,2020 are net revenues of approximately $0.7m from Customer A, and $0.5m from Customer B (year ended September 30, 2019 – Customer B revenues $0.2m and Customer C $0.3m), each contributing 10 per cent or more of the Corporation's net revenue.

29. Defined benefit plan

The Corporation's Swiss subsidiary Holyweed is affiliated to the Swiss Life Collective BVG Foundation for the provision of occupational benefits. All benefits are reinsured in their entirety with Swiss Life Ltd ("Swiss Life"). This pension solution fully reinsures the risks of disability, death and longevity with Swiss Life. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. Insurance benefits due are paid directly to the entitled persons by Swiss Life in the name of and for the account of the collective foundation. Holyweed has committed to pay the annual contributions and costs due under the pension fund regulations. Upon termination recipients of retirement and survivors' benefits would remain with the collective foundation and Holyweed would transfer its active insured members and recipients of disability benefits to a new employee benefits institution, thus releasing the collective foundation from all obligations. Under IAS 19 – Employee Benefits, fully insured BVG plans are considered as defined benefit plans as in the event of contract cancellation there is no guarantee that the employee benefits can be continued under the same conditions, and the risk and cost premiums are charged at different levels.

The amounts recognized in statement of financial position are as follows:

	September 30, 2020	September 30, 2019
Present value of funded obligation	**$ 552,725**	$ 189,862
Fair value of plan assets [(1)]	**(229,266)**	(54,992)
Net defined benefit liability	**$ 323,459**	$ 134,870

[(1)] *The plan asset consists solely of an insurance contract that does not have a quoted market price.*

(in Canadian dollars)

29. Defined benefit plan (continued)

The amounts recognized in statement of loss and comprehensive loss are as follows:

	September 30, 2020	September 30, 2019
Current service costs (employer)	**$ 75,805**	$ 22,757
Interest on defined benefit obligation	**201**	198
Interest income on plan assets	**(58)**	(66)
Past service costs	**(2,901)**	-
Administrative costs	**3,956**	1,269
Total included in salaries and benefits	**$ 77,003**	$ 24,158

Changes in the present value of defined benefit obligations are as follows:

	September 30, 2020	September 30, 2019
Opening defined benefit obligation	**$ 189,861**	$ 107,471
Current Service costs (employer)	**75,805**	22,757
Administrative costs	**3,956**	1,269
Ordinary contributions paid by employees	**88,125**	12,571
Interest expense of defined benefit obligation	**201**	198
Contributions paid from plan participants	**183,047**	-
Benefits paid from plan assets	**(196,629)**	(5,858)
Past service costs	**(2,901)**	-
Actuarial losses on defined benefit obligation	**183,193**	52,632
Exchange differences	**28,069**	(1,178)
Closing defined benefit obligation	**$ 552,727**	$ 189,860

Changes in the present value of the plan assets are as follows:

	September 30, 2020	September 30, 2019
Opening fair value of plan assets	**$ 54,992**	$ 35,862
Interest income on plan assets	**58**	66
Ordinary contributions paid by employer	**88,125**	12,571
Ordinary contributions paid by employees	**88,125**	12,571
Contributions paid from plan participants	**183,047**	-
Benefits paid from plan assets	**(196,629)**	(5,858)
Return on plan assets excluding interest	**1,251**	91
Exchange differences	**10,299**	(313)
Closing fair value of plan assets	**$ 229,268**	$ 54,990

(in Canadian dollars)

29. Defined benefit plan (continued)

Principal actuarial assumptions are as follows:

	September 30, 2020	September 30, 2019
Discount rate, end of period	**0.20%**	0.10%
Salary increase, end of period	**1.00%**	1.00%
Pension increase, end of period	**0.00%**	0.00%

Sensitivity analysis impact on defined benefit obligation:

Sensitivity to discount rate assumptions		
a. Discount rate+0.5%	**(10.20%)**	(10.80%)
b. Discount rate-0.5%	**12.10%**	12.90%
Sensitivity to salary increase rate assumptions		
a. Salary increase+0.5%	**1.40%**	1.50%
b. Salary increase-0.5%	**(1.30%)**	(1.40%)
Sensitivity to mortality assumptions		
a. Life expectancy+1 year	**1.50%**	1.50%
b. Life expectancy-1 year	**(1.60%)**	(1.60%)

30. Subsequent events

(a) MPXI Closed Additional Tranches of the Offering

Subsequent to the financial year ended September 30, 2020, the Corporation completed additional tranches of the Offering and also further amended the Debenture Indenture on December 18, 2020 pursuant to the 2nd supplemental debenture indenture to increase the principal amount under Debenture Indenture, as amended on September 16, 2020, by $3,400,000 (US$2,500,000) to a new maximum principal amount of up to $10,200,000 (US$7,500,000) and to confirm the Canadian and United States dollar currency exchange rate as 1.36 Canadian dollars for each US$1.00.

The closing of the fourth tranche (the “Fourth Tranche”) of the Offering on October 20, 2020 resulted in the issuance of 506 Units at a price of US$1,000 ($1,360) for aggregate gross proceeds of $688,160 (US$506,000)). The closing of the fifth tranche (the “Fifth Tranche”) of the Offering on December 24, 2020 resulted in the issuance of 2,229 Units at a price of US$1,000 ($1,360) for aggregate gross proceeds of $3,031,440 (US$2,229,000). The closing of the sixth tranche (the “Sixth Tranche”) of the Offering on December 31, 2020 resulted in the issuance of 146 Units at a price of US$1,000 ($1,360) for aggregate gross proceeds of $198,560 (US$146,000). As at financial year ended September 30, 2020, the Corporation issued a total of 4,494 Units for aggregate gross proceeds of $6,111,840 (US$4,494,000) for the closing of the initial three tranches of the Offering. As at the date hereof, the Corporation has issued a total of 7,375 Units for aggregate gross proceeds of $10,030,000 (US$7,375,000) from the closing of all six tranches of the Offering.

The Corporation paid cash finders fees of $25,840 (US$19,000) and issued an aggregate of 348,333 Compensation Warrants to certain finders pursuant to the closing of the Fifth Tranche and paid $3,876 (US$2,850) of cash finders fees and issued 52,250 Compensation Warrants to certain finders pursuant to the closing of the Third Tranche. Each Compensation Warrant entitles the holder to acquire one (1) MPXI Share at an exercise price of $0.20 per MPXI Share for twenty-four (24) months. No finders fees were paid in connection with the Fourth Tranche.

30. Subsequent events

(b) Canveda Receives Licence Amendment from Health Canada Authorizing Production and Sales of Cannabis 2.0 Products

On December 1, 2020, the Corporation announced that Canveda received a licence amendment from Health Canada which authorizes Canveda to produce, sell, and export all categories of authorized Canadian cannabis products, including topicals, extracts and edibles.

(c) Canveda Enters into a Supply Agreement with the Alberta Provincial Retail Regulator for Strain Rec™ Products.

On October 1, 2020, the Corporation announced the entering into of an agreement between Canveda and Alberta Gaming, Liquor & Cannabis (the "AGLC") for the supply of cannabis under the Strain Rec™ brand. The agreement will continue until December 1, 2021, unless terminated earlier and may be extended upon mutual agreement of the parties for a maximum of two (2) additional terms of up to 18 months each.

(d) MPXI enters into Asset Purchase Agreement to Expand into the Alberta Retail Cannabis Market under the Retail Banner Strain Rec™

In October 2020, pursuant to an asset purchase agreement (the "Asset Purchase Agreement") the Corporation, through its wholly owned subsidiary MPXI Alberta, acquired substantially all of the assets of Blaze 420 Today Inc. ("Blaze 420"), including the leasehold interests to three (3) locations across Alberta which each have received development permits to operate as retail cannabis stores (the "Assets").

The Assets acquired will enable MPXI to establish a cannabis retail platform in Alberta and open up to three (3) retail cannabis stores in the Edmonton, Alberta area, subject to the final approval from AGLC, upon meeting all licensing requirements.

MPXI Alberta has obtained approval from the AGLC to operate as a licensed candidate.

Pursuant to the terms of the Asset Purchase Agreement, MPXI Alberta acquired the Assets for a total purchase price of up to $749,000 comprised of the following consideration and based upon the achievement of certain milestones as set out below:

(i) up to $283,333.00 as of the date of the official opening of the first (1st) retail store ("Milestone 1") satisfied as follows: (a) $83,333 in cash; (b) $100,000 of MPXI Shares to be issued at a fixed price of $0.25 per MPXI Share; and (c) $100,000 through the issuance of a promissory note ("Note 1"), less any outstanding principal amount and any accrued and unpaid interest owing by Blaze 420 to MPXI as of October 1, 2020 (the "Closing Date") pursuant to the promissory note between Blaze 420 and the Corporation dated June 27, 2019;

(ii) up to $183,333 as of the date of the official opening of the second (2nd) retail store ("Milestone 2") satisfied as follows: (a) $83,333 in cash; and (b) $100,000 through the through the issuance of a promissory note ("Note 2"); and

(iii) up to $283,333 as of the date of the official opening of the third (3rd) retail store ("Milestone 3") satisfied as follows: (a) $83,333 in cash; (b) $100,000 of MPXI Shares to be issued at a price per share equal to the ten (10) day volume weighted average price of the MPXI Shares on the CSE as of the day Milestone 3 is achieved; and (c) $100,000 through the through the issuance of a promissory note ("Note 3" together with Note 1 and Note 2, the "Notes").

30. Subsequent events (continued)

(a) MPXI enters into Asset Purchase Agreement to Expand into the Alberta Retail Cannabis Market under the Retail Banner Strain Rec™ (continued)

The Notes will be paid in quarterly increments with each payment equal to 20% of the Free Cash Flow generated in the previous quarter by the specific retail store operated by MPXI Alberta that the Note was issued in connection with. “Free Cash Flow” means, the cash that is produced after MPXI Alberta pays for all its operating expenses (including creditor payments, sales taxes, corporate taxes and interest payments) and provides for accrued but unpaid salaries, payroll taxes, sales taxes, corporate taxes and operating expenses and overdue creditor accounts. For the avoidance of doubt, the Free Cash Flow calculation for purposes of the Agreement will exclude: (A) the introduction of new capital; (B) any capital expenditure; and (C) proceeds from the disposal of any assets.

(b) Statement of claim

Subsequent to the year ended September 30, 2020, the Corporation was served with a statement of claim dated October 8, 2020 (the “Claim”) from Lifestyle Management Inc. seeking damages in the amount of $530,000 from the Corporation as well as co-defendants, 2702148 Ontario Inc. and two individuals. The Claim alleges, amongst other things, breach of contract and misrepresentations. The proceedings were commenced at Toronto in the Ontario Superior Court of Justice (the “Court”). The Corporation is preparing to file its defence with the Court and intends to vigorously defend the Claim.

(c) Stock option grant

On October 15, 2020, the Corporation granted a total of 500,000 stock options to purchase MPXI Shares to an officer of the Corporation, the first 250,000 at an exercise price of $0.25 per MPXI Share and the second 250,000 at an exercise price of $0.35 per MPXI Share, expiring on October 15, 2025.