

MJardin Group, Inc.

Consolidated Financial Statements

As at December 31, 2020 and 2019

(Expressed in Canadian dollars, unless otherwise stated)

Independent Auditor's Report

To the Shareholders of MJardin Group, Inc.:

Opinion

We have audited the consolidated financial statements of MJardin Group, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' deficiency and 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 Company as at December 31, 2020 and December 31, 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 audits 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 Company in accordance with the ethical requirements that are relevant to our audits 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 for the year ended December 31, 2020 the Company incurred a net loss and negative cash flow from operations, and as at December 31, 2020, had a working capital deficit. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 audits 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 audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Shaila Rani Mehta.

Mississauga, Ontario

April 29, 2021

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, sans-serif font, followed by 'LLP' in a smaller, all-caps, sans-serif font.

Chartered Professional Accountants

Licensed Public Accountants

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

As at	Note	December 31, 2020	December 31, 2019
Assets		\$	\$
Current assets			
Cash		1,511,921	10,019,356
Restricted cash		-	3,000,000
Accounts receivable	4	7,611,881	5,759,220
Due from related parties	17	1,040,188	3,468,013
Biological assets	7	1,612,817	148,209
Inventory	7	4,486,483	516,360
Prepaid expenses and other assets	5	1,632,532	1,261,608
Assets held for sale	6	4,893,576	51,865,461
Total current assets		22,789,398	76,038,227
Non-current assets			
Property, plant and equipment	8	41,489,341	42,793,142
Investments	9	36,494,794	32,292,377
Other long-term assets	10	-	2,069,326
Intangible assets	11	11,200	10,628,389
Total non-current assets		77,995,335	87,783,234
Total assets		100,784,733	163,821,461
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	9,362,942	14,146,925
Due to related parties	17	353,919	340,030
Current portion of finance lease	15	436,849	429,881
Current portion of long-term debt	14	152,974,065	15,082,074
Income taxes payable	27	15,321,326	9,593,911
Current portion of promissory note payable	13	6,285,109	11,476,603
Unearned proceeds on disposition	6	-	38,966,252
Liabilities of assets held for sale	6	-	14,458,659
Total current liabilities		184,734,210	104,494,335
Non-current liabilities			
Non-current portion of finance lease	15	2,842,222	3,148,016
Long-term debt	14	-	112,992,470
Deferred tax liabilities	27	541,573	1,242,422
Non-current portion of promissory note payable	13	2,302,840	-
Indemnity liability	16	-	2,597,600
Convertible debentures		127,320	67,250
Total non-current liabilities		5,813,955	120,047,758
Total liabilities		190,548,165	224,542,093
Shareholders' deficiency			
Common share equity	18(a)	263,493,688	250,661,573
Restricted share units reserve	18(b)	10,182,781	21,537,369
Options reserve	18(c)	11,048,323	8,419,408
Warrants reserve	18(d)	9,946,918	9,946,918
Accumulated other comprehensive income	19	3,024,547	1,321,154
Deficit		(383,713,486)	(348,872,952)
Deficiency attributable to the shareholders of MJardin Group, Inc.		(86,017,229)	(56,986,530)
Non-controlling interest	32	(3,746,203)	(3,734,102)
Total shareholders' deficiency		(89,763,432)	(60,720,632)
Total liabilities and shareholders' deficiency		100,784,733	163,821,461

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

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 29)
Subsequent events (Note 34)

Approved by the Board of Directors

/s/ Graham Marr Director
Date: April 29, 2021

/s/ Adrian Montgomery Director
Date: April 29, 2021

MJardin Group, Inc.
Consolidated Statements of Loss and Other Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars, unless otherwise stated)

		Year ended December 31,	
	Note	2020	2019
		\$	\$
Revenues	20	11,436,269	26,696,824
Direct operating costs		(7,211,318)	(17,277,518)
Inventory write-down	7	(1,988,564)	–
Gross margin before fair value adjustments		2,236,387	9,419,306
Fair value adjustment on the sale of cultivated inventory	7	385,480	612,586
Unrealized gain on changes in fair value of biological assets	7	(3,827,226)	(689,782)
Gross margin		5,678,133	9,496,502
Operating expenses			
Sales, general and administrative	21	14,448,799	21,527,552
Share-based compensation		2,772,367	19,180,400
Depreciation and amortization		1,394,157	1,469,384
Expected credit loss	22	1,673,154	26,213,378
Total operating expenses		20,288,477	68,390,714
Loss from operations		(14,610,344)	(58,894,212)
Interest expense		21,898,303	19,529,929
Loan initiation fees		–	540,091
Net earnings from equity investment	9	(4,240,817)	(2,757,155)
Gain on disposition of equity investment		–	(897,100)
Impairment	26	15,980,224	191,653,185
Gain on loan modifications	14	(363,720)	(161,504)
Foreign exchange loss		1,120,388	2,646,211
Gain on disposition of GreenMart of Nevada, LLC	24	(23,345,642)	–
Other income		(728,572)	(206,723)
Total other expenses		10,320,164	210,346,934
Loss before income tax, discontinued operations		(24,930,508)	(269,241,146)
Income tax (expense) recovery	27	(5,509,602)	4,302,996
Loss before discontinued operations		(30,440,110)	(264,938,150)
Loss from discontinued operations	6	(4,400,424)	(2,529,777)
Net loss		(34,840,534)	(267,467,927)
Other comprehensive income (loss)		1,703,393	(2,368,821)
Total comprehensive loss		(33,137,141)	(269,836,748)
Total comprehensive loss attributable to:			
Shareholders of MJardin Group, Inc.		(33,125,040)	(269,436,091)
Non-controlling interest	32	(12,101)	(400,657)
Total comprehensive loss		(33,137,141)	(269,836,748)
Weighted average number of common shares (basic and diluted)	28	88,802,674	81,697,041
Basic and diluted loss per share from continuing operations	28	\$ (0.34)	\$ (3.27)
Basic and diluted loss per share from discontinued operations	28	(0.05)	(0.03)
Basic and diluted loss per share	28	\$ (0.39)	\$ (3.30)

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

MJardin Group, Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars, unless otherwise stated)

	Number of units	Common shares [Note 18(a)]	RSU reserves [Note 18(b)]	Options reserves [Note 18(c)]	Warrants reserves [Note 18(d)]	Accumulated other comprehensive income (Note 19)	Deficit	Non-controlling interests (Note 32)	Total
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2019	76,651,771	239,752,430	16,619,309	1,860,068	9,946,918	3,689,975	(81,405,025)	(3,333,445)	187,130,230
Shares issued on Cannabella acquisition	741,765	529,720	-	-	-	-	-	-	529,720
Restricted share units transferred to common shares	1,224,635	7,703,000	(7,703,000)	-	-	-	-	-	-
Common shares issued for acquisition of GreenMart of Nevada, LLC	1,582,676	2,453,148	-	-	-	-	-	-	2,453,148
Convertible debentures interests paid by shares issued	74,641	223,275	-	-	-	-	-	-	223,275
Loss attributable to non-controlling interests	-	-	-	-	-	-	-	(400,657)	(400,657)
Share-based compensation	-	-	12,621,060	6,559,340	-	-	-	-	19,180,400
Net loss	-	-	-	-	-	(2,368,821)	(267,467,927)	-	(269,836,748)
Balance at December 31, 2019	80,275,488	250,661,573	21,537,369	8,419,408	9,946,918	1,321,154	(348,872,952)	(3,734,102)	(60,720,632)
Balance at January 1, 2020	80,275,488	250,661,573	21,537,369	8,419,408	9,946,918	1,321,154	(348,872,952)	(3,734,102)	(60,720,632)
Private placement [Note 18(a)(i)]	4,716,982	1,000,000	-	-	-	-	-	-	1,000,000
Shares issued for legal settlements [Note 18(a)(ii)]	3,272,727	334,075	-	-	-	-	-	-	334,075
Restricted share units transferred to common shares [Note 18(a)(iii)]	1,476,000	11,498,040	(11,498,040)	-	-	-	-	-	-
Loss attributable to non-controlling interests	-	-	-	-	-	-	-	(12,101)	(12,101)
Share-based compensation	-	-	143,452	2,628,915	-	-	-	-	2,772,367
Net income (loss)	-	-	-	-	-	1,703,393	(34,840,534)	-	(33,137,141)
Balance at December 31, 2020	89,741,197	263,493,688	10,182,781	11,048,323	9,946,918	3,024,547	(383,713,486)	(3,746,203)	(89,763,432)

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

MJardin Group, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars, unless otherwise stated)

		Year ended December 31,	
	Note	2020	2019
Operating activities		\$	\$
Net loss		(34,840,534)	(267,467,927)
Adjustments for:			
Inventory write-down	7	1,988,564	-
Fair value adjustment on the sale of cultivated inventory	7	385,480	612,586
Unrealized gain on changes in fair value of biological assets	7	(3,827,226)	(689,782)
Share-based compensation		2,772,367	19,180,400
Depreciation and amortization		1,394,157	1,469,384
Impairment	26	15,980,224	191,653,185
Expected credit loss	22	1,673,154	26,213,378
Foreign exchange loss		1,120,388	370,571
Gain on disposition of GreenMart of Nevada, LLC	24	(23,345,642)	-
Deferred income tax recovery	27	(671,902)	(11,348,531)
Loan initiation fees		-	540,091
Interest expense		21,898,303	19,529,929
Interest paid		(591,412)	(18,611,746)
Interest income		-	(3,457,735)
Non-cash loss (gain)	33	720,896	(3,112,920)
Cash outflow from operating activities before changes in working capital		(15,343,183)	(45,119,117)
Changes in working capital items	33	5,263,149	1,954,790
Cash outflow from operating activities		(10,080,034)	(43,164,327)
Investing activities			
Purchase of property, plant, and equipment	8	(6,841,283)	(18,198,845)
Proceeds from disposition of property, plant, and equipment	8	37,898	3,346,690
Proceeds from disposition of assets held for sale	6	5,852,665	-
Deposit received on disposition of Greenmart of Nevada, LLC	24	-	38,966,252
Cash transferred to assets held for sale	6	(2,041,646)	(226,680)
Investment in AtlantiCann Medical Inc.	9	-	(3,500,000)
Proceeds from disposition of investment in AtlantiCann Medical Inc.	9	-	8,250,000
Cash (outflow) inflow from investing activities		(2,992,366)	28,637,417
Financing activities			
Issuance of common shares	18(a)	1,000,000	-
Cash acquired from acquisition of Greenmart of Nevada, LLC		-	177,370
Proceeds from debt	14	7,000,000	20,000,000
Proceeds from promissory note payable	13	(5,411,253)	11,000,000
Repayment of promissory note payable	13	2,279,263	-
Repayment of debt		-	(36,998,687)
Repayment of finance leases	15	(298,600)	(1,258,440)
Cash inflow (outflow) from financing activities		4,569,410	(7,079,757)
Decrease in cash		(8,502,990)	(21,606,667)
Net effect of foreign exchange on cash		(4,445)	1,185,709
Cash – beginning of the year		10,019,356	30,440,314
Cash – end of the year		1,511,921	10,019,356

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

Supplemental cash flow information (Note 33)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

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

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

The Company’s headquarters are located at 1 Toronto Street, Suite 801, Toronto, Ontario M5C 2V6. The Company’s operating subsidiaries have US facilities in Colorado, Canadian production facilities in Ontario and Manitoba, and joint venture owned production facility in Nova Scotia. The Canadian production facilities in Ontario are legally part of the following entities: 8586985 Canada Corporation (“Will”), Highgrade MMJ Corporation (“GRO”), and GrowForce Manitoba Inc. (“Warman”).

Going concern

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

For the year ended December 31, 2020, the Company reported a net loss of \$34,840,534 (December 31, 2019 – \$267,467,927), cash outflow from operating activities of \$10,080,034 (December 31, 2019 – outflow of \$43,164,327), working capital deficit of \$161,944,812 (December 31, 2019 – \$28,456,108) and an accumulated deficit of \$383,713,486 (December 31, 2019 – \$348,872,952).

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

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

a) Debt facilities

During the year ended December 31, 2020, the Company executed an amendment to its loan agreement (“Amending Agreement”) with its senior lender allowing it to defer principal and interest payments. Details of the amendments are provided in Note 14.

As at December 31, 2020, the Company is not in compliance with its Senior Leverage Ratio and Fixed Charge Coverage Ratio for both its loans owed by Canadian and U.S. facilities. Refer to Note 14(c) for a description of how these covenants are determined. As at December 31, 2019, the Company was in compliance with its financial covenants.

On April 21, 2021, the Company received a signed waiver from the senior lender for the breach of its financial covenants under the loan agreements in-force as at December 31, 2020. Under the terms of the waiver, the entirety of the principal balance, including accrued interest payable up until the repayment date, is due May 1, 2022. Although management believes the Company will be successful in ramping up production at its cultivation facilities to generate cash flows to begin to meet future debt requirements, the outcome of these matters cannot be certain at this time. In the event that the Company cannot meet its repayment obligation on May 1, 2022, the Company will look to alternative sources of financing, delay capital expenditures and/or evaluate potential asset sales, and potentially could be forced to curtail or cease operations or seek relief under applicable bankruptcy or insolvency laws.

b) COVID-19 contagious disease

During the year ended December 31, 2020, COVID-19 had an adverse impact on local economics and the global economy. COVID-19 affected the Company’s ability to continue its construction at its facilities, particularly Will, and resulted in temporary shortages of staff to the extent its workforce is impacted. Construction activities at Will were completed during the third quarter of 2020. The Company made active efforts to minimize the impact of COVID-19.

Facilities were professionally cleaned to support the staff's return to work and mitigate any potential facility outbreak. Additional equipment vendors were sourced to address suppliers who became no longer available or had a lack of supplies on hand. A potential facility outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations, and cash flows including lost revenue. The Company's operations are considered an essential service in all jurisdictions and all facilities are continuing to operate with protocols in place to prevent the spread of the virus. There was no significant impact on revenues from COVID-19. The Company continues to monitor and assess the impact that COVID-19 will have on the business and its revenues.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 29, 2021.

The Company has reclassified certain items on the comparative consolidated statements of financial position, consolidated statements of loss and other comprehensive loss, and consolidated statements of cash flows to improve clarity.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for biological assets, share based payments, warrants and certain financial instruments which are measured at fair value. See Note 30 for details.

Beginning January 1, 2020, the Company adopted the revised Conceptual Framework for Financial Reporting ("revised conceptual framework"). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

c) Presentation and functional currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the subsidiaries in Canada and the US dollar is the functional currency for all US subsidiaries of the Company.

d) Basis of consolidation

These consolidated financial statements of the Company for the years ended December 31, 2020 and 2019 comprise results of the Company and its subsidiaries.

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

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

The Company's subsidiaries and ownership interests are stated below for the years ended December 31, 2020 and 2019.

Entity Name	Country of Incorporation	% of Ownership
MJAR Holdings Corp.	U.S.A	100%
GrowForce Holdings Inc.	Canada	100%
GrowForce Manitoba Inc.	Canada	100%
8586985 Canada Corporation	Canada	100%
Grand River Organics Inc.	Canada	75.5%
Highgrade MMJ Corporation	Canada	75.5%

MJardin Group, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars, unless otherwise stated)

Entity Name	Country of Incorporation	% of Ownership
GrowForce AC Holdings Inc. ¹	Canada	39%
AtlantiCann Medical Inc. ¹	Canada	39%
Ringsby Services Inc.	Canada	100%
MJardin Management, LLC	U.S.A	100%
6100 E. 48th Ave., LLC	U.S.A	100%
MJardin Management Colorado, LLC	U.S.A	100%
MJardin Services Inc.	U.S.A	100%
MJardin Management Nevada, LLC	U.S.A	100%
MJardin Management Florida, LLC	U.S.A	100%
MJardin Management Massachusetts, LLC	U.S.A	100%
MJardin Management Missouri, LLC	U.S.A	100%
MJardin Management Pennsylvania, LLC	U.S.A	100%
MJardin Capital, LLC	U.S.A	100%
MJardin Management Ohio, Inc.	U.S.A	100%
MJardin Management Texas, LLC	U.S.A	100%
Buddy Boy Brands Holdings, LLC	U.S.A	100%
Buddy Boy Brands, LLC	U.S.A	100%
2426 S. Federal, LLC	U.S.A	100%
5040 York, LLC	U.S.A	100%
EC Consulting, LLC	U.S.A	100%
F&L Investments, LLC	U.S.A	100%
GreenMart of Nevada, LLC ²	U.S.A	100%
MJardin Merger Sub, LLC	U.S.A	100%

e) Cash and restricted cash

Cash includes cash on hand and funds in escrow. All of the Company's cash is held with major financial institutions and thus the exposure to credit risk is considered insignificant. See Note 12(a) on unrestricted cash released this year.

f) Biological assets

Biological assets consist of cannabis plants that are measured at fair value less costs to sell up to the point of harvest.

The significant assumptions used in determining the fair value of biological assets include:

- Expected yield by plant adjusted for expected wastage – represents the expected number of grams of finished cannabis inventory, which are expected to be obtained from each cannabis plant;
- Percentage of costs incurred to date compared to the total expected costs to be incurred per stage of growth and over the life of the plant – used to estimate the fair value of an in-process plant at each stage;
- Expected weighted average selling price per gram of harvested cannabis – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company during the three-month period immediately preceding the period-end, which is expected to approximate future selling prices; and
- Expected number of days remaining in each stage of growth and over the life of the plant.

While the Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. The Company 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, grow consumables, utilities, facilities costs including an allocation of overhead costs related to production facility, quality and testing costs, and production related depreciation. Capitalized costs are subsequently recorded within cost of sales in the consolidated statements of loss and other comprehensive loss in the period that the related product is sold.

The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statements of loss and other comprehensive loss. Cost to sell includes post harvest production costs and fulfilment costs. When the finished cannabis is subsequently sold, the unrealized gains or losses capitalized to inventory are recognized as a fair value adjustment on the sale of cultivated inventory on the consolidated statements of loss and other comprehensive loss.

¹ GrowForce AC Holdings Inc. is the holding entity with 100% ownership of the investment in AtlantiCann Medical Inc ("AMI"). AMI is an equity-accounted investment. See Note 9 for further details.

² GreenMart of Nevada LLC was consolidated for part of the year, control was transferred in August 2020. See Note 24 for more details. All other entities were consolidated throughout the full year.

g) Inventory

Inventory consists of bulk cannabis, finished cannabis goods and consumable supplies. Inventories of bulk cannabis are transferred from biological assets at their fair value at 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 labour related costs, consumables, packaging supplies, facilities costs including an allocation of overhead costs related to production facility, quality and testing costs, and related depreciation.

Bulk cannabis and finished cannabis goods are valued at the lower of cost and net realizable value. 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 selling costs. Consumable supplies are valued at the lower of costs and net realizable value with cost determined based on an average cost basis. The Company reviews these types of inventory for obsolescence and slow turnover that they are written down and reflected at net realizable value. When assessing net realizable value, the Company considers the impact of price fluctuation, inventory spoilage, inventory excess, age, and damage.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any significant estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company also uses significant judgments in determining if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

h) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property, plant and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

For all property, plant and equipment, depreciation is calculated over the useful life of related assets from the date it is available for use through the straight-line method of measurement.

Construction-in-progress includes property, plant and equipment in the course of construction and is carried at cost including any financing costs directly attributable to the construction, less any recognized impairment charge. These assets are reclassified to the appropriate category of property, plant and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

An item of property, plant and equipment, including any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted, if appropriate. Depreciation is calculated based on applying the straight-line method over the useful life of the assets as indicated in the table below. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term. Depreciation is recognized from the commencement date of the lease.

Asset Class	Estimate of Useful Life
Land	Not applicable
Building	25-40 years
Computer equipment	3-5 years
Production equipment	5 years
Furniture and fixtures	5 years
Leasehold Improvements	Over the term of the lease agreement
Construction under progress	No depreciation until ready for use

i) Borrowing costs

Interest from the loans is capitalized for qualifying assets like construction-in-progress that take longer than six months to complete and interest capitalization ceases when substantially all of the activities to prepare the asset for its intended use are complete.

j) Investments

Associates are companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence represents the power to participate in the financial and operating policy decisions of the investee but does not represent the right to exercise control or joint control over those policies. The Company's associates are GrowForce AC Holdings Inc. and AtlantiCann Medical Inc. ("AMI").

Investments in associates are accounted for using the equity method and are initially recognized at cost, excluding financial assets that are not in-substance common shares and inclusive of transaction costs. When the Company holds marketable securities or derivative financial assets and subsequently obtains significant influence in that investee, the fair value of the financial instruments are reclassified to investments in associates at the deemed cost with the cumulative unrealized fair value gains or losses in other comprehensive loss, if any, transferred to deficit.

Strategic investments are where the Company has no governance rights, and no board seats, and as such, the Company has no significant influence or control over its day-to-day business or strategic direction. The Company measures its strategic investments at fair value and are subsequently measured at fair value through profit or loss ("FVTPL") or are designated at fair value through other comprehensive income or loss ("FVTOCI"). This designation is made on an instrument-by-instrument basis and if elected, subsequent changes in fair value are recognized in other comprehensive income or loss only and not through profit or loss upon disposition. The Company has a strategic investment in OG DNA Genetics Inc. ("DNA Genetics"). It is measured at fair value and is designated at FVTOCI.

k) Intangible assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these definite life intangible assets are subject to an impairment test as discussed in l). Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of loss and other comprehensive loss in the expense category consistent with the function of the intangible asset. Amortization is calculated using the straight-line method over the following terms:

Cultivation license	20 years
Trademarks and brands	15 years

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

l) Impairment of property, plant and equipment and intangible assets

The carrying value of property, plant and equipment and of intangible assets are assessed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations, significant decline in performance, or change in market conditions which adversely affect the Company. The recoverable amount is determined as the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU") based on discounted cash flows.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets CGU. The recoverable amount of an asset or a CGU is the higher of its FVLCD and VIU. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in consolidated statements of loss and comprehensive loss by the amount in which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded.

m) Goodwill

Goodwill represents the excess of the purchase price paid of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the acquisition date and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash inflows.

Subsequently, goodwill is not amortized but are assessed at least annually for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The annual impairment test requires comparing the carrying values of the Company's CGU, including goodwill, to their recoverable amounts and is completed at year-end. The recoverable amount is the higher 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. The Company determines the recoverable amount based on its FVLCD or VIU using estimated future cash flows discounted at an after-tax rate for the FVLCD model or a pre-tax rate for the VIU model that reflects the risk-adjusted weighted average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period. Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. The Company has no goodwill at December 31, 2020.

n) Leases

As a lessee, the Company leases office space, production facilities and IT equipment.

For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A contract is or contains a lease if the contract gives the Company the right to control the use of an identified asset for the duration of the lease term in exchange for consideration. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of their relative stand-alone prices.

Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Right-of-use assets are recognized within property, plant and equipment. The Company has elected to account for short-term leases (lease term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments are recognized as an expense in sales, general, and administrative expense in the consolidated statements of loss and other comprehensive loss on a straight-line bases over the lease term.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or there is a change in future lease payments due to a change in index or rate.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rate. Lease terms applied are the contractual non-cancellable periods of the leases including renewal and termination options that the Company is reasonably certain to exercise.

Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequent to initial measurement, right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses, and any remeasurements of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term. Depreciation is recognized from the commencement date of the lease. Right-of-use assets are reviewed at the end of each reporting period to determine whether there are any indicators of impairment.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale, the Company will measure the right-

of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company.

As a lessor, the Company leases out its investment property. As a lessor, the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the asset and is classified as an operating lease if it does not.

On May 28, 2020, the IASB issued an amendment to IFRS 16, which provides relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. IFRS 16 has been amended to: (i) provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and (ii) require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. This did not have a material impact on the consolidated financial statements.

o) Investment property

An investment property is held by the Company to earn rental income. It is initially measured at fair value with subsequent gains or losses on its asset value going through the consolidated statements of loss and comprehensive loss.

p) Share capital

In situations where the Company issues units containing a common share and a whole or fractional warranty, the fair value of shares and warrants are recorded based on relative fair values. The relative fair value of the warrants, as calculated as of the date of issue using the Black-Scholes pricing model, is included in the Company's warrants reserve.

q) Share issuance costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

r) Revenues

Revenue is generated from the sale of cannabis goods to customers and from the provision of management services. To recognize revenue under IFRS 15, the Company applies the following five steps for accounting for revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the sale of cannabis goods to customers recognized when control over the goods has been transferred to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. When historical sales data becomes available, the Company estimates sales returns as a variable consideration to the transaction price of the customer contract. The Company includes this estimate of sales returns as a reduction to revenue earned only if it is highly probable that the inclusion of the sales returns estimate will not result in a significant revenue reversal in the future when the uncertainty of returns has subsequently been resolved.

Management services include the provision of cultivation, processing and retail know-how and back office administration, intellectual property licensing, and lending facilities to medical and adult-use cannabis licensed producers under management service agreements. Revenue from management fees are recognized over the term of the arrangement as services are provided.

The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities (unearned revenues). Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled. Revenue is presented net of discounts and sales and other related taxes.

s) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings (loss) per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional

shares for inclusion in diluted earnings (loss) per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised at the beginning of the period with proceeds based on the average market price for the period. The incremental number of common shares issued under stock options and warrants are included in the calculation of diluted earnings (loss) per share.

t) Foreign currency translation

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in accumulated other comprehensive income included in shareholders' deficiency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and other comprehensive loss.

u) Income taxes

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. Examples of such transactions include business acquisitions and dispositions, including dispositions designed to be tax free, issues related to consideration paid or received, investments and certain financing transactions. Significant judgment is required in assessing and estimating the tax consequences of these transactions. The Company prepares and files tax returns based on interpretation of tax laws and regulations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities. In determining the Company's income tax provision, an estimate is made for reserve for uncertain income tax positions unless such positions are determined to be more likely than not of being sustained upon examination based on their technical merits. The Company only recognizes tax benefits taken on the tax return that the Company believes are more likely than not of being sustained. There is considerable judgment involved in determining whether positions taken on the tax return are more likely than not of being sustained.

The Company adjusts its tax reserve estimates as new information is received such as settlements with the various taxing authorities, as well as changes in tax laws, regulations, and interpretations. The consolidated income tax provision of any given year includes adjustments to prior year income tax accruals that are considered appropriate and any related estimated interest. The Company's policy is to recognize, when applicable, interest and penalties on income tax positions as part of the income tax provision.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

As the Company operates in the United States of America cannabis industry, it is subject to the limits of Internal Revenue Code ("IRC"), section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed unallowable under IRC Section 280E.

The Company is treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

v) Provisions and contingencies

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of loss and other comprehensive loss.

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

w) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets and financial liabilities are initially measured at fair value. 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 the consolidated statements of loss and other comprehensive loss.

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in the consolidated statements of loss and comprehensive loss. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has classified its cash, restricted cash, accounts receivable, due from related parties, long term deposits, accounts payable and accrued liabilities, due to related parties, promissory notes payable, debt, convertible debt, and indemnity liability as amortized cost.

Investments are recorded FVTPL or FVOCI. The Company has made an irrevocable election to classify its investment in DNA Genetics at FVOCI as the Company considers its investment to be strategic in nature.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company

compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9 Financial Instruments. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk. Rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

x) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the senior management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Note 3 provides information related to segment information of the Company.

y) Assets and liabilities held for sale and discontinued operations

Non-current assets and liabilities or disposal groups are classified as held for sale and discontinued operations if there carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset or disposal group, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale.

Non-current assets and non-current liabilities classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the consolidated statements of financial position.

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of loss and other comprehensive loss.

z) Share based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Stock options are measured on the date of grant by reference to the fair value determined using a Black-Scholes valuation model. The value is recognized as share-based compensation expense in the consolidated statements

of loss and other comprehensive loss and an increase to the options reserve or restricted share unit (RSU) reserve in the consolidated statements of financial position of changes in equity over the period in which the performance and/or service conditions are fulfilled.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted.

aa) Business combinations

The Company uses the acquisition method to account for business combinations when control is acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interest issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

The Company assesses whether a transaction results in an asset or business acquisition using the optional concentration test, which is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the assets is concentrated in a single identifiable asset or a group of similarly identifiable assets. If the test is failed, the assessment focuses on the existence of a substantive process. The Company thoroughly assesses whether a transaction is an asset or business acquisition by assessing inputs and determining whether the process is substantive.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or its proportionate share of the recognized amount of the identifiable net assets at the acquisition date. Acquisition costs are expensed as incurred unless they qualify to be treated as debt issuance costs or costs of issuing equity securities.

IFRS 3 Business Combinations (Amendments to IFRS 3) clarifies the definition of a business and permits a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company has adopted this standard effective January 1, 2020. There was no impact to the consolidated financial statements as a result of this adoption.

bb) Critical accounting estimates and judgments

The critical areas of estimation and/or judgment considered by management in preparing the consolidated financial statements are described below:

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined in IFRS 3 Business Combinations, the components of a business must include inputs, processes and outputs.

Management makes judgments in the valuation of the consideration transferred, including determining the value of any contingent consideration. The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired, and liabilities assumed, and the valuation thereof is judgmental.

Investments

To assess the fair value of the Company's equity investment in OG DNA Genetics Inc. ("DNA Genetics") which is not listed on an exchange, the Company determined the fair value using valuation techniques, which require inputs that are significant and unobservable, and therefore, the investment was categorized as Level 3 in the IFRS 13 Fair Value Measurement's fair value hierarchy. The Company uses the latest market transaction price for these securities derived from private placements, which are not publicly observable, and any available independent valuation reports obtained from the entity. Increases (decreases) in the latest market transaction prices will result in a direct increase (decrease) to the fair value of the equity instrument.

Biological assets

Management is required to make several estimates in calculating the fair value less costs to sell of biological assets. These estimates include several assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history.

Impairment of long-lived assets

Impairment of property, plant and equipment, goodwill, and intangible assets with finite useful lives and indefinite lives are influenced by judgment in defining a CGU and determining the indicators of impairment, and measurements used to measure impairment loss.

The recoverable of long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Sales returns

When historical sales data becomes available, the Company estimates sales returns as a variable consideration to the transaction price of the customer contract. The Company includes this estimate of sales returns as a reduction to revenue earned only if it is highly probable that the inclusion of the sales returns estimate will not result in a significant revenue reversal in the future when the uncertainty of returns has subsequently been resolved.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

Determination of share-based payments

The estimation of share-based payments (including stock options and warrants) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, forfeitures, expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable options and warrants. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Going concern

At end of each reporting period, management exercises judgment in assessing whether there is a going concern issue by reviewing the Company's performance, resources and future obligations. Management acknowledges that there is significant uncertainty over the Company's ability to meet its funding requirements as they fall due. The Company's ability to continue in the normal course of operations is dependent on its ability to raise additional capital through debt and equity financings and to start generating positive cash flow from operating activities. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financing in the future.

Expected credit losses ("ECL")

The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

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Where applicable the Company monitors and manages credit losses/default rates of comparable debt instruments with data from utilizing ratings agency for the assessment of significant notes receivables.

Lease incremental borrowing rate

Determining the Company's incremental borrowing rate involves estimation. The Company's incremental borrowing rate, determined by an independent third party, represents the rate of interest a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, a company-specific credit spread was estimated by analyzing the terms of the Company's long-term debt and was added to a base risk-free rate corresponding to the currency in which the relevant lease is denominated.

cc) Future accounting pronouncements not yet adopted in 2020

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2020.

IAS 37 Onerous contracts – cost of fulfilling a contract

On May 14, 2020, the IASB issued amendments to IAS 37 to specify that the 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. This amendment is effective on January 1, 2022. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2022. The extent of the impact of the adoption of this amendment has not yet been determined.

IAS 1 Classification of liabilities as current or non-current

On January 23, 2020, an amendment was issued to IAS 1 to address inconsistencies with how entities apply the standards over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

The Company's operating segments are as follows:

December 31, 2020	Cultivation management in USA	Cultivation operations in Canada	Total continuing operations	Discontinued operation/assets held for sale (Note 6)	Total
	\$	\$	\$	\$	\$
Revenue	7,857,767	3,578,502	11,436,269	1,159,529	12,595,798
Direct operating costs	(6,036,373)	(1,174,945)	(7,211,318)	(4,998,757)	(12,210,075)
Sales, general and administrative	(5,287,467)	(9,161,332)	(14,448,799)	(1,181,963)	(15,630,762)
Depreciation and amortization	(559,986)	(834,171)	(1,394,157)	-	(1,394,157)
Interest expense	(7,558,446)	(14,339,857)	(21,898,303)	(1,319,771)	(23,218,074)
Impairment	(1,506,635)	(14,473,589)	(15,980,224)	-	(15,980,224)
Capital expenditure	(3,900)	(6,837,382)	(6,841,282)	-	(6,841,282)
Net income (loss)	2,840,463	(33,280,573)	(30,440,110)	(4,400,424)	(34,840,534)

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December 31, 2019	Cultivation management in USA \$	Cultivation operations in Canada \$	Total continuing operations \$	Discontinued operation/assets held for sale (Note 6) \$	Total \$
Revenue	24,524,958	2,171,866	26,696,824	1,205,907	27,902,731
Direct operating costs	(14,806,358)	(2,471,160)	(17,277,518)	(918,072)	(18,195,590)
Sales, general and administrative	(9,655,886)	(11,871,666)	(21,527,552)	-	(21,527,552)
Depreciation and amortization	(758,977)	(710,407)	(1,469,384)	(854,974)	(2,324,358)
Interest expense	(9,405,223)	(10,124,706)	(19,529,929)	-	(19,529,929)
Impairment	(27,085,535)	(164,567,650)	(191,653,185)	-	(191,653,185)
Capital expenditure	-	(18,959,514)	(18,959,514)	(37,198,567)	(56,158,081)
Net income (loss)	(85,098,446)	(179,839,704)	(264,938,150)	(2,529,777)	(267,467,927)

December 31, 2020	Cultivation management in USA \$	Cultivation operations in Canada \$	Total continuing operations \$	Discontinued operation/assets held for sale (Note 6) \$	Total \$
Total assets	10,560,581	85,330,576	95,891,157	4,893,576	100,784,733
Total liabilities	53,687,481	136,860,684	190,548,165	-	190,548,165

December 31, 2019	Cultivation management in USA \$	Cultivation operations in Canada \$	Total continuing operations \$	Discontinued operation/assets held for sale (Note 6) \$	Total \$
Total assets	13,607,820	98,348,180	111,956,000	51,865,461	163,821,461
Total liabilities	81,527,019	128,556,415	210,083,434	14,458,659	224,542,093

4. ACCOUNTS RECEIVABLE

	December 31, 2020 \$	December 31, 2019 \$
Trade receivables (a)	1,901,099	2,147,734
Expected credit loss (Note 22)	(739,314)	(103,904)
Indirect taxes receivable	1,038,996	3,715,390
Receivable from Harvest Health and Recreation Inc. (Note 24)	5,411,100	-
Total	7,611,881	5,759,220

(a) Trade receivables are from arms-length, non-related operators, and consulting customers. As at December 31, 2020, \$526,269 of trade receivables are current (2019 - \$39,836), \$93,164 are between 1 - 90 days past due (2019 - \$619,860), and \$1,281,666 are over 90 days past due (2019 - \$1,488,038).

5. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2020	December 31, 2019
	\$	\$
Insurance	993,519	798,036
Deposits on construction & equipment	97,587	246,283
Rent Deposits	184,553	86,861
Appellate bond (Note 16)	223,383	-
Other	133,490	130,428
Total	1,632,532	1,261,608

6. ASSETS HELD FOR SALE AND LOSS FROM DISCONTINUED OPERATIONS

(a) Assets and liabilities held for sale

	December 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	-	226,680
Receivables	-	138,147
Prepaid expenses, deposits and other assets	-	64,270
Biological assets	-	303,510
Inventory	-	2,965,894
Property, plant and equipment	-	15,278,177
Intangible assets	-	20,939,091
Goodwill	-	1,156,116
Total GreenMart	-	41,071,885
Warman building	4,893,576	10,793,576
Assets held for sale	4,893,576	51,865,461

	December 31, 2020	December 31, 2019
	\$	\$
Trade and other payables	-	749,583
Finance lease liability - Current	-	1,776,135
Finance lease liability - Non-current	-	11,904,792
Deferred income tax liability	-	28,149
Liabilities held for sale	-	14,458,659

On March 9, 2020, the Company completed the sale of the land associated with the Warman facility for proceeds net of transaction costs of \$5,852,665, which was used to repay the promissory note payable. See Note 13 for further details. As at December 31, 2020, the Warman building is included in assets held for sale in the consolidated statements of financial position as the sale is expected to close in 2021.

(b) Loss from discontinued operations

The table below summarizes the loss from discontinued operation of GreenMart of Nevada, LLC ("Greenmart") up until August 13th, 2020, which is the date the Company relinquished control of GreenMart as defined under IFRS 10. See Note 24 'Gain on Disposition of GreenMart' for further details.

	December 31, 2020	December 31, 2019
	\$	\$
Revenues	1,159,529	1,205,907
Direct operating costs	(4,998,757)	(918,072)
Fair value adjustment on the sale of cultivated inventory	(62,178)	-
Unrealized gain on changes in fair value of biological assets	1,071,443	329,058
Depreciation	-	(854,974)
Sales, general and administrative	(1,181,963)	(2,253,537)
Interest expense	(1,319,771)	-
Tax gain (loss) on sale of discontinued operations	931,273	(38,159)
Loss from discontinued operations	(4,400,424)	(2,529,777)
Basic and diluted loss per share	(0.05)	(0.03)

(c) Cash flows from discontinued operations

During the year ended December 31, 2020, the impact on the consolidated statements of cash flows was an outflow of \$2,041,646 (2019 - \$226,680) from investing activities as the discontinued operations required funding from the continuing operations.

7. BIOLOGICAL ASSETS AND INVENTORY

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

	\$	Amount
Balance at January 1, 2019		139,744
Unrealized gain on changes in fair value of biological assets		689,782
Production costs capitalized		546,200
Transferred to inventory upon harvest		(1,227,517)
Balance at December 31, 2019		148,209
Production costs capitalized		3,417,909
Unrealized gain on changes in fair value of biological assets		3,827,226
Transferred to inventory upon harvest		(5,780,527)
Balance at December 31, 2020		1,612,817

All of the plants are to be harvested as agricultural produce. As at December 31, 2020, all of the plants to be harvested are between 1 and 11 weeks from harvest (2019 - 6 and 8 weeks) and the life cycle is estimated to be 90 to 120 days (2019 - 110 to 117 days).

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

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To determine fair value, the Company:

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

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

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

As at December 31, 2020, the Company estimates harvest yields for the plants based on the current stage of growth to have a value of \$1,612,817 (2019 - \$148,209). As at December 31, 2020, the weighted average selling price used in the valuation is \$5.22 per gram (2019 - \$3.28 per gram) and is based on an adjusted expected future sales mix, of all dried cannabis sales and can vary based on the different strains produced and the expected sales channel. The Company estimates percentage of costs incurred on a straight-line basis based on the number of days of growth. Plants on hand as at December 31, 2020 have incurred an average of 57% of costs to harvest (2019 - 60%).

During the year ended December 31, 2020, the Company's biological assets produced 204,326 grams of dried cannabis including trim (2019 - 524,367 grams). As at December 31, 2020, it is expected the Company's biological assets will yield approximately 614,642 grams excluding trim (December 31, 2019 - 97,057 grams).

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the unrealized gain or loss on changes in fair value of biological assets. The following table quantifies each significant unobservable input and provides the impact of a reasonable increase/decrease that each input would have on the fair value of the Company's biological assets.

	Valuation inputs		Percentage change used in sensitivity analysis	\$ Impact on Biological Assets	
	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
Selling price (\$)	5.22	3.28	10%	206,128	19,208
Yield by plant (grams)	90-136	210-230	15%	365,874	38,726
Average life cycle (days)	90-120	110-117	10%	187,389	13,608
Percentage of costs to harvest incurred	57%	60%	10%	104,304	6,880

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

	As at December 31, 2020			As at December 31, 2019		
	Capitalized Cost \$	Fair Value \$	Total \$	Capitalized Cost \$	Fair Value \$	Total \$
Work-in-process	1,104,179	902,377	2,006,556	-	-	-
Finished goods	1,252,728	1,227,199	2,479,927	282,784	233,576	516,360
Total	2,356,907	2,129,576	4,486,483	282,784	233,576	516,360

During the year ended December 31, 2020, the Company recognized a fair value adjustment on the sale of cultivated inventory of \$385,480 (2019 - \$612,586). The Company recorded a write-down of inventory during the year ended December 31, 2020 related to dried cannabis that was old and unsellable inventory in the amount of \$1,988,564 (2019 - \$nil), which is on the consolidated statements of loss and other comprehensive loss.

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The capitalized cost of inventory that has been expensed during the year ended December 31, 2020 is \$2,356,907 (2019 - \$741,641), which is included in direct operating costs on the consolidated statements of loss and other comprehensive loss.

8. PROPERTY, PLANT, AND EQUIPMENT

	Land (c)	Building (c)	Computers & Equipment	Fixture & Furniture	Leasehold Improvements	Right-of-use Assets	Production Equipment	Construction in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance at January 1, 2019	9,357,358	16,885,861	339,406	306,214	6,145,711	3,202,244	767,783	7,852,632	44,857,209
IFRS 16 adoption	-	-	-	-	-	220,747	-	-	220,747
Additions	76,009	1,414,317	80,514	94,298	7,165,407	15,973,095	3,564,240	6,223,051	34,590,931
Dispositions	(1,126,895)	-	(97,394)	-	(2,262,620)	-	-	-	(3,486,909)
Reclassifications	-	3,838,241	17,000	-	(4,840,738)	(2,241,347)	-	3,226,844	-
Assets held for sale	-	(10,793,576)	(26,019)	-	-	(15,574,741)	(30,657)	-	(26,424,993)
Foreign exchange on translation	(252,608)	81,281	(17,764)	(8,201)	663,884	11,372	-	-	477,964
Balance at December 31, 2019	8,053,864	11,426,124	295,743	392,311	6,871,644	1,591,370	4,301,366	17,302,527	50,234,949
Additions (a)	-	-	62,845	57,583	5,177,045	-	1,260,793	283,016	6,841,282
Dispositions (e)	-	-	(16,436)	-	-	-	(57,099)	-	(73,535)
Reclassifications	-	-	-	-	3,782,997	-	-	(3,782,997)	-
Foreign exchange on translation	(52,736)	(103,424)	(2,021)	(3,210)	(28,022)	(38,677)	(1,478)	-	(229,568)
Balance at December 31, 2020	8,001,128	11,322,700	340,131	446,684	15,803,664	1,552,693	5,503,582	13,802,546	56,773,128
Accumulated depreciation									
Balance at January 1, 2019	-	258,118	79,191	65,682	299,196	-	79,703	-	781,890
Depreciation	-	290,251	24,056	50,489	288,364	490,091	136,590	-	1,279,841
Impairments of PPE in USA	1,652,950	3,428,731	19,251	-	849,558	-	-	-	5,950,490
Reclassification	-	141,302	-	-	(231,262)	89,960	-	-	-
Assets held for sale	-	-	-	-	-	(353,240)	-	-	(353,240)
Foreign exchange on translation	-	(333,021)	(3,838)	(2,311)	(3,900)	125,896	-	-	(217,174)
Balance at December 31, 2019	1,652,950	3,785,381	118,660	113,860	1,201,956	352,707	216,293	-	7,441,807
Depreciation (b)	-	444,298	47,267	54,712	464,964	312,756	784,995	-	2,108,992
Dispositions (e)	-	-	(7,457)	-	-	-	(27,099)	-	(34,556)
Impairment of PPE (d)	-	-	-	-	5,009,874	-	-	892,339	5,902,213
Foreign exchange on translation	(32,580)	(71,409)	(1,145)	(2,486)	(21,482)	(4,488)	(1,079)	-	(134,669)
Balance at December 31, 2020	1,620,370	4,158,270	157,325	166,086	6,655,312	660,975	973,110	892,339	15,283,787
Net book value									
December 31, 2019	6,400,914	7,640,743	177,083	278,451	5,669,688	1,238,663	4,085,073	17,302,527	42,793,142
December 31, 2020	6,380,758	7,164,430	182,806	280,598	9,148,352	891,718	4,530,472	12,910,207	41,489,341

- During the year ended December 31, 2020, \$nil (2019 - \$88,404) borrowing costs were capitalized to construction in progress.
- Depreciation relating to manufacturing equipment and production facilities for owned and right-of-use lease assets is capitalized into biological assets and inventory, and is expensed to direct costs upon the sale of goods. For the year ended December 31, 2020, \$1,305,580 (2019 - \$165,707) of depreciation was capitalized into biological assets and inventory.
- Land and building include lessor rental assets with a total net book value as at December 31, 2020 of \$2,879,947 (2019 - \$3,139,737). Depreciation related to leased assets as at December 31, 2020 are \$583,159 and there were no additions to leased assets during the year.
- During the year ended December 31, 2020, the Company recognized impairment losses within its cultivation operations CGU and allocated impairment losses of \$5,902,213 (2019 - \$5,950,490) to property, plant, and equipment. The recoverable amount of property plant and equipment within this CGU was determined through a combination of fair value less cost to dispose based on comparable market capitalization rates (level 3 inputs). See Note 26 for more information.
- Total proceeds from disposition are \$37,898 (2019 - \$3,346,690) and have been included within the investing activities on the consolidated statements of cash flows, resulting in a loss on disposal of \$1,081 (2019 - \$140,219).

9. INVESTMENTS

	AtlantiCann Medical Inc. ("AMI")	OG DNA Genetics Inc. ("DNA Genetics")	Total
	\$	\$	\$
Balance, January 1, 2019	31,207,221	8,185,200	39,392,421
Disposition of 11% of AMI	(6,816,294)	-	(6,816,294)
Investment, capital injection	3,500,000	-	3,500,000
Management fees charged to AMI	(304,205)	-	(304,205)
Net income from equity investee	2,757,155	-	2,757,155
Loss on change in fair value, unrealized	-	(6,236,700)	(6,236,700)
Balance, December 31, 2019	30,343,877	1,948,500	32,292,377
Net income from equity investee	4,240,816	-	4,240,816
Loss on change in fair value, unrealized	-	(38,399)	(38,399)
Balance, December 31, 2020	34,584,693	1,910,101	36,494,794

a) Atlanticann Medical Inc. ("AMI")

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

During the third quarter of 2020, AMI terminated the previously signed master service agreement with the Company, which had a ten-year term and was executed in 2019. As a result, the Company received \$1.8 million from AMI in lieu of ongoing license fee payments that were required under the master service agreement; the Company also had \$0.2 million held in escrow from AMI. The Company's cultivation management support for the AMI operation has been substantially reduced in connection with the buyout and is expected to be completed by the end of 2020. The Company recognized a gain of \$1,988,986 for the year ended December 31, 2020 included in revenue on the consolidated statements of loss and other comprehensive loss. See Note 20 for further details. The Company also recognized \$11,014 unearned revenue within accounts payable and accrued liabilities on the consolidated statements of financial position as at December 31, 2020.

b) DNA Genetics Inc.

In 2018, the Company made an irrevocable election to classify its investment in DNA Genetics at fair value through other comprehensive income ("FVTOCI") as the Company considers its investment to be strategic in nature.

To assess the fair value of this investment, since DNA Genetics is not listed on an exchange, the Company determined the fair value using valuation techniques, which require inputs that are significant and unobservable, and therefore, were categorized as Level 3 in the fair value hierarchy. The Company uses the latest market transaction price for these securities derived from private placements, which are not publicly observable, and any available independent valuation reports obtained from the entity. Increases (decreases) in the latest market transaction prices will result in a direct increase (decrease) to the fair value of the equity instrument. The Company reviewed DNA Genetics' shareholders update presentation for the year ended December 31, 2020 to assess whether any change in fair value, other than due to the foreign exchange movement in the investment balance, was to be recorded.

Consistent with the election made on the initial recognition of the DNA Genetics investment, only dividend income is recognized in profit or loss. There were no dividends issued by DNA Genetics for the year ended December 31, 2020 and 2019. All other gains and losses are recognized in OCI without reclassification on derecognition. During the year ended December 31, 2020, the Company recognized a \$38,399 loss on change in FVTOCI due to foreign exchange rate movement (2019 - \$6,236,700 due to foreign exchange rate movement and impairment of the equity investment).

10. OTHER LONG-TERM ASSETS

	December 31, 2020	December 31, 2019
	\$	\$
Indemnity escrow (Note 16)	-	389,640
Deposit for Cannabella acquisition (a)	-	1,332,233
Deposits for leases on property, plant, and equipment	-	106,121
Long-term deposits	-	241,332
Total	-	2,069,326

(a) On October 18, 2019, the Company agreed to issue cash and shares as a non-refundable pre-payment to the seller of Cannabella, a producer of edibles and topicals located in Carson City, Nevada. On April 17, 2020, the Company exercised a termination provision in its previously announced purchase agreement with Cannabella. As a result, the Company incurred a non-recurring expense of \$1,375,982 in other income on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020. See Note 25.

11. INTANGIBLE ASSETS

	Licenses, Permits & Applications \$	Brands & Trademarks \$	Total Intangibles \$	Goodwill \$	Total Intangibles & Goodwill \$
Cost					
Balance at January 1, 2019	53,070,000	4,980,467	58,050,467	155,566,675	213,617,142
Additions from acquisitions	21,567,150	-	21,567,150	1,163,000	22,730,150
Transferred to assets held for sale	(21,440,825)	-	(21,440,825)	(1,156,116)	(22,596,941)
Foreign exchange on translation	(126,324)	(243,860)	(370,184)	(904,918)	(1,275,102)
Balance at December 31, 2019	53,070,001	4,736,607	57,806,608	154,668,641	212,475,249
Accumulated depreciation and impairment loss					
Balance at January 1, 2019	-	-	-	(15,900,000)	(15,900,000)
Amortization	(964,859)	(344,944)	(1,309,803)	-	(1,309,803)
Impairment loss	(43,560,000)	(2,833,700)	(46,393,700)	(139,308,995)	(185,702,695)
Transferred to asset held for sale	501,734	-	501,734	-	501,734
Foreign exchange on translation	-	23,550	23,550	540,354	563,904
Balance at December 31, 2019	(44,023,125)	(3,155,094)	(47,178,219)	(154,668,641)	(201,846,860)
Net book value at December 31, 2019	9,046,876	1,581,513	10,628,389	-	10,628,389
Cost					
Balance at January 1, 2020	53,070,001	4,736,607	57,806,608	154,668,641	212,475,249
Foreign exchange on translation	-	51,567	51,567	-	51,567
Balance at December 31, 2020	53,070,001	4,788,174	57,858,175	154,668,641	212,526,816
Accumulated depreciation and impairment loss					
Balance at January 1, 2020	(44,023,125)	(3,155,094)	(47,178,219)	(154,668,641)	(201,846,860)
Amortization	(475,500)	(115,245)	(590,745)	-	(590,745)
Impairment loss (a)	(8,571,376)	(1,506,635)	(10,078,011)	-	(10,078,011)
Balance at December 31, 2020	(53,070,001)	(4,776,974)	(57,846,975)	(154,668,641)	(212,515,616)
Net book value at December 31, 2020	-	11,200	11,200	-	11,200

(a) As at December 31, 2020, the Company performed an impairment assessment on its cultivation management of its USA CGU, which resulted in an impairment of \$10,078,011 (2019 - \$185,702,695). See Note 26 for further details.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	\$	\$
Trade accounts payable	5,611,682	8,569,858
Payroll tax liabilities	1,887,339	-
Accrued liabilities	1,863,921	2,577,067
Holdback payable (a)	-	3,000,000
Total	9,362,942	14,146,925

(a) Upon closing of the purchase of 8586985 Canada Corporation ("WILL Cannabis") by GrowForce on April 21, 2018, \$3 million of the purchase price was held as restricted cash with an offsetting amount recorded as a holdback payable. Upon satisfaction of escrow conditions in April 2020, the full balance of the restricted cash was released and the holdback payable extinguished.

13. PROMISSORY NOTES PAYABLE

In 2019, the Company entered into a promissory note agreement with a third party for net proceeds of \$11 million. The note is due upon demand and bears interest at a rate of prime plus 9% per annum accrued daily. The effective rate of interest at the time of issuance was 12.95% and decreased to 11.45% as at December 31, 2020 due to the change in prime rate that occurred during the year ended December 31, 2020. Interest is added to the principal outstanding and can be paid at any time at the discretion of the Company. The promissory note payable issuance fee was \$110,000 and added to the principal of the note. The balance as at December 31, 2020 includes accrued interest payable on the promissory note up to that date.

	December 31, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	11,476,603	-
Net proceeds from promissory note	-	11,000,000
Note issuance fee	-	110,000
Repayment of principal	(5,411,253)	-
Repayment of interest	(441,412)	-
Accrued interest	661,171	366,603
Balance at the end of the year	6,285,109	11,476,603

During the year ended December 31, 2020, the Company entered into a new \$2 million promissory note agreement with the same third party. This note is due on the earliest of three years from the issuance date, the Company completing a financing transaction, or a change of control occurs to the Company. The note bears an interest rate of 1% per annum accrued daily. Interest is added to the principal outstanding and is to be paid when the note is due. The balance as at December 31, 2020 includes accrued interest payable on the promissory note up to that date.

	December 31, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	-	-
Proceeds from promissory note	2,279,263	-
Accrued interest	23,577	-
Balance at the end of the year	2,302,840	-

14. DEBT FACILITIES

	December 31, 2020 \$	December 31, 2019 \$
Term revolving loan – Bank of Nova Scotia prime rate ("BNS Prime Rate") + 9.55% (a)	118,163,970	102,864,797
Term loan – BNS Prime Rate + 9.55% (b)	34,810,095	25,209,747
Total	152,974,065	128,074,544
Current portion of long-term debt	(152,974,065)	(15,082,074)
Long-term debt	-	112,992,470

(a) Loans owed by Canadian facilities

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

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. The interest payable on existing loan balances will accrue and be added to the loan principal until May 1, 2022. The Company is no longer required to make monthly principal payments on the loan effective July 1, 2020.

As a result of the amendment, during the year ended December 31, 2020, the Company recognized a loss on loan modification of \$90,364, which is offset against the gain on the modified loans owed by the US facilities of \$454,084, and is included in the gain on loan modifications line in the consolidated statements of loss and other comprehensive loss. The effective interest rates on the loans after the amendment range from 11.58% to 14.99%. Refer to Note 23 for the interest expense incurred on the debt facilities for the years ended December 31, 2020 and 2019.

(b) Loans owed by US facilities

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

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. Under the amendments, the Company has increased its loan capacity by \$7 million. This \$7 million additional loan is payable on demand. The interest payable on existing loan balances will accrue and be added to the loan principal until May 1, 2022.

As a result of the amendment, during the year ended December 31, 2020, the Company recognized a gain on loan modification of \$454,084 that is included in the consolidated statements of loss and other comprehensive loss. As at December 31, 2020, the Company has fully drawn down the \$7 million additional loan capacity. The effective interest rates on the loans after the amendment range from 17.10% to 18.77%. Refer to Note 23 for the interest expense incurred on the debt facilities for the years ended December 31, 2020 and 2019.

(c) Financial covenants of new loans

During the year ended December 31, 2020, the Company did not make a scheduled repayment of the term loans and did not meet its two financial covenants pursuant to the debt facilities, the Senior Leverage Ratio being less than 4.5 to 1.0 and the Fixed Charge Coverage Ratio being greater than 1.2 to 1.0 for the last fiscal quarter of 2020.

The Senior Leverage Ratio is calculated as the amortized cost of the debt divided by the absolute value of four times the adjusted EBITDA, which is a non-GAAP measure defined in the 2020 management discussion and analysis. The Fixed Charge Coverage Ratio is calculated as (i) adjusted EBITDA less capital expenditures divided by (ii) the sum of interest expense, cash taxes paid, scheduled debt amortization payments or redemptions, and rents payable under leases excluding interest. The Company has agreed to deliver to the lender on or prior to the date that is 15 days after the end of each fiscal quarter, a certificate signed by a senior officer of the Company setting out the calculation of the Senior Leverage Ratio and Fixed Charge Coverage Ratio for the reference period ending on the last day of the most recently completed quarter and that confirms compliance with the financial covenants. As at December 31, 2020, the Company was not in compliance with the financial covenants.

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On April 21, 2021, the Company received a signed waiver from the senior lender for the breach of its financial covenants under the loan agreements in-force as at December 31, 2020. Under the terms of the waiver, the entirety of the principal balance, including accrued interest payable up until the repayment date, is due May 1, 2022.

15. FINANCE LEASE

a) The Company as a lessee

	December 31, 2020 \$	December 31, 2019 \$
Balance at the beginning of the year	3,577,897	3,052,658
IFRS 16 transition adjustment	-	220,746
Additions to right of use assets	-	15,973,095
Additions to leasehold improvements	-	418,592
Lease payments	(298,600)	(1,258,440)
Interest accretion	170,622	842,843
Foreign exchange impact	(170,848)	(1,990,670)
Reclassified to liabilities held for sale	-	(13,680,927)
Ending balance	3,279,071	3,577,897
Less: current portion	(436,849)	(429,881)
Non-current portion of finance lease	2,842,222	3,148,016

Under IFRS 16, at December 31, 2020 and 2019, the undiscounted future finance lease payments were \$4,429,070 and \$4,851,446, respectively. None of the Company's leases for continuing operational facilities have extension or termination options. The Company's finance lease in Will has a 3.61% annual interest rate. The Company's other finance leases use an incremental borrowing rate of 13.5% to determine the present value of the future lease payments. For the year ended December 31, 2020, the Company recognized \$41,103 (2019 - \$81,808) for a short-term lease on office space in the consolidated statements of loss and comprehensive loss.

The following table summarizes the Company's future minimum lease payments as at December 31, 2020:

	Amount \$
2021	445,831
2022	335,536
2023	266,675
2024	219,706
2025+	3,161,322

b) The Company as a lessor

The Company leases out two investment properties in the USA. During the year ended December 31, 2020, the Company recognized lease income of \$612,885 (2019 - \$1,320,709) presented as revenue on the consolidated statements of loss and other comprehensive loss.

16. INDEMNITY LIABILITY, APPELLATE BOND, AND LITIGATION RECOVERY

In 2018, the Company acquired the debt of 2G Ventures, LLC ("2G"); 3B Ventures, LLC; and various legal entities who owned the trademark and trade name of 'Buddy Boy Brands' and the land and building located at 2426 South Federal and 5040 York St. in Denver, Colorado. Upon completion of the acquisition, US \$2 million of the total purchase price was held back and deposited into an escrow account to settle undisclosed liabilities and other closing conditions.

2G was informed of an adverse court judgment from a claim initiated in 2016. The damages awarded were approximately US \$3.7 million. This lawsuit was not disclosed as part of the acquisition. Further, 2G decided to appeal the judgment. In the event of an appeal, the appellant is required to post a bond on a dollar-for-dollar basis plus 30% to cover costs

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and interest that may have accrued. As a result, 2G required US \$3.9 million to post the appellate bond, which was paid by the Company on behalf of 2G.

The Company reached a settlement agreement with the vendors of the acquisition. As part of the settlement, both the vendors and the Company would equally share in the loss, although funding of the bond was US \$1.7 million by the vendors and US \$2.2 million by the Company, totaling up to US \$3.9 million as required by the appellant. The Company fronted the US \$1.7 million cash amount, which is the vendors' US \$1.7 million contribution that was agreed by both parties to be funded from releasing the funding from the escrow. The Company's US \$2.2 million was funded from cash resources on hand.

At the time of the settlement, 2G believed that the court decision had a likelihood of not being overturned, so therefore, the Company wrote off the full US \$3.9 million bond in 2018 due to the uncertainty around the decision being overturned under appeal.

In the fourth quarter of 2020, the court ruled that the initial judgment would not be reversed, and the appellate bond would not be recovered. As a result of that court judgment and the settlement agreement, the Company no longer needs to replenish the escrow funds towards the 2018 acquisition. Therefore, the reversal of the indemnity liability was recorded as a non-cash litigation recovery of the previously recognized US \$3.9 million impairment. As confirmed by the bond insurer, the Company has an outstanding receivable of US \$175,450 as at December 31, 2020, which means, in effect, the Company will recover that amount from the lawsuit.

For the year ended December 31, 2020, the Company recognized \$223,383 (US \$175,450) for the appellate bond in prepaid expenses and other assets within the statements of financial position (Note 5) and a non-cash litigation recovery of \$2,515,822 (US \$1,875,450) included in other income on the consolidated statements of loss and other comprehensive loss (Note 25).

17. RELATED PARTY TRANSACTIONS

a) Key management and directors' compensation

Key management and directors are those who have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management and directors' compensation of the Company is the Company's executive management team and board of directors. Compensation provided to key management and directors is as follows:

	December 31, 2020 \$	December 31, 2019 \$
Key management salaries and benefits	1,740,164	2,453,964
Directors fees	427,030	324,515
Total payroll and benefits	2,167,194	2,778,479
Share-based compensation	2,709,100	11,759,966
Total compensation	4,876,294	14,538,445

b) Transactions with related parties

In the ordinary course of business, under market terms and conditions comparable to those provided to unrelated third parties, the Company generates revenue from the following related parties; PotCo LLC, Next 1 Labs, Cloud 9 Support LLC, and F&L Warm Springs LLC. These transactions are considered related party in nature since a director on the board of the Company co-founded and is the managing partner of PotCo LLC and owns Next1 Labs, Cloud 9 Support LLC, and F&L Warm Springs LLC. A summarized table of the amounts as at the year ended December 31, 2020 and December 31, 2019 are as follows:

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	December 31, 2020 \$	December 31, 2019 \$
F&L WarmSprings LLC (i)	854,130	867,445
Next 1 Labs	10,142	295,737
PotCo LLC	66,926	702,085
AMI (ii)	203,206	1,601,086
Other related party	107,010	76,455
Expected credit loss (Note 22)	(201,226)	(74,795)
Due from related parties	1,040,188	3,468,013

- (i) Interest is payable in monthly installments at a rate of 15% per annum with the full principal amount of US \$500,000 due on demand.
- (ii) The Company provides consulting, design, operational and other management services to AMI. The Company holds an investment in AMI as described in Note 8. The following table provides a summary of the amounts owed for services provided:

Due to related parties as at December 31, 2020 is \$353,919 (2019 - \$340,030). The amount is owed to directors of the Company.

	December 31, 2020 \$	December 31, 2019 \$
Fees from cultivation and management services	2,420,621	11,584,631
Interest income	100,609	99,516
Total revenues from related parties	2,521,230	11,684,147
Director fees	427,030	324,515
Total costs from related parties	427,030	324,515

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

18. SHARE CAPITAL AND SHARE-BASED COMPENSATION

(a) Common shares

Authorized

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

Common share transactions

With reference to the consolidated statements of changes in shareholders' deficiency,

- (i) On January 13, 2020, the Company issued 4,716,982 common shares for \$1,000,000 through a private placement.
- (ii) On March 4, 2020, the Company issued 2,272,727 common shares as part of a litigation settlement related to a contract dispute for cultivation management services in the USA. In addition to the shares issued, the Company paid a total cash settlement of \$334,075 in accordance with a payment plan that ended on February 1, 2021. This payable has been accrued for in accounts payable and accrued liabilities within the consolidated financial statements. On March 27, 2020, the Company issued 1,000,000 common shares related to a royalty settlement agreement dated November 6, 2018.
- (iii) During the year ended December 31, 2020, the Company issued 1,476,000 common shares for the vesting of restricted share units ("RSUs").

(b) Restricted share unit (RSU) reserve

RSUs are equity-settled share-based payments. RSUs are measured at the fair value on the date of grant based on the closing price of the Company's shares on the grant date and is recognized as share-based compensation expense over the vesting period with a corresponding credit to RSU reserves. The amount recognized for services received as consideration for the RSUs granted is based on the number of equity instruments that eventually vest. Upon the release of RSUs, the RSU reserves are transferred to common shares. Under the terms of the RSU plan, directors, officers, and employees of the Company may be granted RSUs that are released as common shares upon completion of the vesting period. Each RSU gives the participant the right to receive one common share of the Company. The key inputs and assumptions used to determine the fair value on the grant date consist of the closing price of the Company's shares, the expiry date of the RSUs, and the number of RSUs granted to the individual.

In accordance with IFRS 2 Share-based Payments, RSUs that were cancelled or expired during the year ended December 31, 2020 and 2019 are accounted for as an acceleration of vesting, where the amount that otherwise would have been recognized for services rendered over the remainder of the vesting period is recognized immediately at the time of cancellation or expiry.

	RSUs (#)		Weighted Average Issue Price (\$)
Balance, December 31, 2018	5,004,835	\$	9.10
Issued	525,000		1.16
Vested and exercised	(1,224,635)		6.29
Expired or forfeited	(838,300)		6.94
Balance, December 31, 2019	3,466,900	\$	6.16
Issued	1,530,100	\$	0.05
Vested and exercised	(1,476,000)		7.79
Cancelled or expired	(2,644,990)		1.65
Balance, December 31, 2020	876,010	\$	6.08

During the year ended December 31, 2020, the Company recorded share-based compensation expense of \$143,452 (2019 - \$12,621,060) as a result of RSUs being issued, exercised, cancelled, expired, or forfeited. This expense is included in the share-based compensation line on the consolidated statements of loss and other comprehensive loss. The expiry dates for the RSUs range from November 13, 2021 to December 31, 2021.

The following table summarizes the outstanding RSUs as at December 31, 2020:

Grant Date	Outstanding #	Vested #	Weighted Average Issue Price (\$) \$	Remaining Life (years)	Expiry Date
November 13, 2018	856,010	856,010	7.79	0.87	November 13, 2021
December 31, 2018	20,000	20,000	5.25	1.00	December 31, 2021
As at December 31, 2020	876,010	876,010	6.49	0.87	

(c) Options reserve

Share options issued to directors, officers, employees, and third parties are measured at fair value at the grant date and are recognized as an expense over the relevant vesting periods with a corresponding credit to options reserves. The fair value of the options is calculated using the Black-Scholes option pricing model. When determining the fair value of share options, management is required to make certain assumptions and estimates related to the risk-free interest rate, dividend yield, share price volatility, life of options, and forfeiture rate. Upon the exercise of share options, the related options reserve is transferred to common shares.

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	Options (#)	Weighted Average Exercise Price (\$)
Balance, December 31, 2018	2,857,620	9.62
Issued	450,000	0.97
Expired or forfeited	(742,750)	10.24
Balance, December 31, 2019	2,564,870	\$ 7.92
Issued	7,165,705	\$ 0.05
Cancelled or expired	(3,075,776)	4.80
Balance, December 31, 2020	6,654,799	\$ 0.69

During the year ended December 31, 2020, the Company recorded share-based compensation of \$2,628,915 (2019 - \$6,559,340) for options issued, cancelled, expired, or forfeited. This expense is included in the share-based compensation line on the consolidated statements of loss and other comprehensive loss.

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

Options issued	December 31, 2020	December 31, 2019
Risk-free annual interest rate (i)	1.46% - 1.60%	2.10% - 2.52%
Expected annual dividend yield	-	-
Expected share price volatility (ii)	111.02% - 112.36%	42.72% - 79.49%
Expected life of options (years) (iii)	3 - 4	3.44 - 4.08
Forfeiture rate	nil%	nil%

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

The following table summarizes the share options outstanding, both vested and unvested, as at December 31, 2020:

Grant Date	Outstanding #	Exercisable #	Exercise Price \$	Remaining Life (years)	Expiry Date
November 13, 2018	312,999	312,999	12.00	1.87	November 13, 2022
December 3, 2018	177,500	177,500	6.67	1.92	December 3, 2022
September 30, 2020	6,119,300	3,366,638	0.05	3.75	September 30, 2024
October 7, 2020	45,000	15,469	0.07	2.77	October 7, 2023
As at December 31, 2020	6,654,799	3,872,606	1.32	3.61	

(d) Warrants reserve

Warrants issued to officers and third parties are for the purpose of compensation or financial advisory services received back in 2018. All warrants are exercisable from the grant date to the expiry date.

	Warrants (#)	Weighted Average Exercise Price (\$)
Balance, December 31, 2019	2,271,100	\$ 5.20
Expired	(151,752)	12.00
Balance, December 31, 2020	2,119,348	\$ 4.15

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The following table summarizes the warrants outstanding as at December 31, 2020:

Grant Date	Converted to MJardin Units	Exercise Price	Expiry Date	Fair Value at Grant Date
March 23, 2018	124,128	1.65	March 23, 2021	197,308
June 15, 2018	1,495,200	3.20	June 23, 2023	5,840,347
July 30, 2018	250,020	3.20	July 30, 2021	775,282
November 13, 2018	250,000	12.00	November 14, 2021	1,551,300
As at December 31, 2020	2,119,348	4.15		8,364,237

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

Under the terms of the LTIP, the Board of Directors (the "Board") or a committee on behalf of the Board may grant awards, which may be in the form of options, restricted shares, compensatory shares, stock appreciation rights, RSUs, deferred share units (collectively, "Equity Awards") to officers, directors, employees or consultants of the Company. The maximum number of common shares which may be reserved and set aside for issue, in respect of awards to eligible participants under the LTIP, shall not exceed 12.5% of the total issued and outstanding common shares of the Company, or 11,217,650 common shares of the Company with the conversion of all issued and outstanding common shares.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the year	1,321,154	3,689,975
Gain on foreign currency translation adjustment, unrealized	1,741,792	3,867,879
Loss on change in fair value of investment, unrealized (Note 9)	(38,399)	(6,236,700)
Balance at the end of the year	3,024,547	1,321,154

20. REVENUES

	December 31, 2020	December 31, 2019
	\$	\$
Management fees	6,198,631	16,978,955
Gain from MSA termination (a)	1,988,986	-
Cultivation fees	796,821	-
License fees	147,560	2,887,167
Lease income	612,885	1,320,709
Interest income (b)	101,870	3,457,735
Revenue from cannabis produced	1,589,516	2,052,258
Total	11,436,269	26,696,824

- (a) In the third quarter of 2020, AMI bought out the previously signed MSA with the Company, which had a ten-year term and was executed in 2019. In lieu of ongoing license fee payments that were required under the MSA, the Company received \$1.8 million from AMI with an additional \$0.2 million due upon completion of services outlined in the termination agreement. The Company's cultivation management support for the AMI operation has been substantially reduced in connection with the buyout and is expected to be completed by 2021. As a result, the Company recognized a \$1,988,986 gain from the MSA termination with AMI in the third quarter of 2020. The Company also recognized \$11,014 unearned revenue within accounts payable and accrued liabilities on the

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consolidated statement of financial position as at December 31, 2020. The portion of revenue earned from AMI that is reflected in management fees and accounts receivable is \$203,206.

- (b) In 2019, the Company stopped accruing interest on the promissory notes with 2G Ventures LLC and 3B Ventures LLC due to the probability of non-payment from doing business as Buddy Boy Brands. During the year ended December 31, 2020, the Company did not recognize interest income in the amount of \$3,241,485. This was the same interest income amount not recognized during the year ended December 31, 2019 as well.

Significant customers are considered to have sales greater than 10% of the Company's revenue during the year. During the year ended December 31, 2020, one significant customer represented 55% of the Company's gross revenue compared to four customers who represented 82% for the same period in 2019. The significant customers obtain services from cultivation management in the US business segment. As at December 31, 2020, the total amount of revenue remaining in trade receivables is \$1,688,791 (2019 - \$2,147,734).

21. SALES, GENERAL AND ADMINISTRATIVE

	December 31, 2020	December 31, 2019
	\$	\$
Payroll and benefits	6,981,602	10,184,398
Professional and consulting fees	4,648,769	7,223,075
IT costs	298,322	428,017
Office leases	393,227	296,460
Travel	53,554	492,649
Insurance	1,064,963	1,183,872
Investor relations and marketing	128,466	366,877
Other general & administrative	879,896	1,352,204
Total	14,448,799	21,527,552

22. EXPECTED CREDIT LOSS ("ECL")

The Company has three categories of receivables, each of which is separately assessed for determination of ECL requirements.

- a) Promissory notes and accrued interest, see Note 13;
- b) Trade accounts receivable, see Note 4; and
- c) Due from related parties, see Note 17b.

a) *Promissory notes receivable*

In 2019, management determined that all promissory notes were in default status under the agreement terms as no interest payments had been received since the inception of the loan. As a result, the entire principal and interest balance was impaired.

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b) Trade receivables and due from related parties

As at December 31, 2020 and 2019, the Company's accounts receivable is categorized into the following categories:

- i) US management services provided to cultivation and dispensary operations in Colorado and Nevada;
- ii) Rental charges for real estate in Denver, Colorado; and
- iii) Management services in Canada from AMI (the Company holds a 39% interest in AMI).

During the year ended December 31, 2020, the Company negotiated for revised management services agreements with several customers, which included negotiated settlements, payment plans, revised fees and revised fee structures for services to be provided. In 2020, all US managed services clients made payments against amounts receivable to the Company. For the year ended December 31, 2020, the impairment amount recorded was \$778,945 (2019 - \$2,964,355) for accounts receivable customers and \$212,012 (2019 - \$998,615) for due from related parties.

During the year ended December 31, 2020, the Company recorded a total impairment provision of \$990,958 (2019 – \$27,301,843) based on detailed assessments of past payment performance and future payment expectations based on creditworthiness of each individual customer and forecast projections of economic conditions in which the customers operate.

The following continuity schedule summarizes the 2019 and 2020 allowance for impairment of accounts receivables and impairment of due from related parties, and the impact of foreign exchange on the USD impairment provisions.

	Promissory Notes		Due from Related Parties		Accounts Receivable		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	29,593,535	6,665,415	74,795	-	103,904	688,017	29,772,234	7,353,432
Impairment provision recognized	-	23,338,873	212,012	998,615	778,945	2,964,355	990,958	27,301,843
Amounts written-off	-	-	(100,334)	(923,820)	(139,380)	(3,527,408)	(239,714)	(4,451,228)
Impact of foreign exchange	-	(410,753)	14,751	-	(4,155)	(21,060)	10,596	(431,813)
Ending balance	29,593,535¹	29,593,535	201,225	74,795	739,314	103,904	30,534,074	29,772,234

The expected credit loss of \$1,673,154 recorded in the consolidated statements of loss and comprehensive loss includes the following amounts:

	December 31, 2020 \$
Written-off indirect taxes receivable	263,405
ECL impairment provision	990,958
Other reductions in revenue	418,791
Total	1,673,154

¹ Relates to the Buddy Boy Brands promissory note, which was 100% written off in 2019; no change for the year ended December 31, 2020.

23. INTEREST EXPENSE

	December 31, 2020	December 31, 2019
	\$	\$
Current portion of long-term debt (Note 14)	17,314,776	20,070,020
Note to Greenmart of Nevada, LLC (Note 12)	3,621,915	-
Promissory notes payable (Note 13)	684,748	-
Finance lease (Note 15)	170,622	842,843
Other	106,242	(1,382,934)
Total	21,898,303	19,529,929

24. GAIN ON DISPOSITION OF GREENMART

In 2019, the Company entered into a definitive agreement to sell all of its interest in GreenMart of Nevada, LLC ("GreenMart") for total consideration of US \$34.3 million that is comprised of US \$30 million received by the Company on December 31, 2019 plus US \$4.3 million due upon the license transferring to the purchaser, subject to regulatory approvals. Effective August 14, 2020, the Company signed a managed services agreement ("MSA") between the Company and Harvest Health and Recreation Inc. ("Harvest") to transfer the risk and rewards associated with GreenMart. As a result, the Company has relinquished control of GreenMart as defined under IFRS 10, resulting in a gain on disposition in the amount of \$23.3 million (US \$17.7 million) recognized in the consolidated statements of loss and other comprehensive loss. The closing conditions associated with the purchase and sale agreement ("PSA"), mainly the approval of the license transfer by the State of Nevada, are expected to be fulfilled in 2021. The results of operations up until the date of disposition on August 13, 2020 are presented as a loss from discontinued operations in the consolidated statements of loss and other comprehensive loss and further details can be found in Note 6. The following is a breakdown of the gain on disposition of GreenMart for the year ended December 31, 2020:

	USD	CAD
Cash	30,000,000	39,651,000
Accounts receivable	4,250,000	5,617,225
Total consideration	34,250,000	45,268,225
Cash and cash equivalents	120,588	159,382
Receivables	125,077	165,314
Inventory	1,130,033	1,493,565
Prepaid expenses, deposits, and other assets	489,815	647,388
Property, plant and equipment	10,917,517	14,429,681
Intangible assets	16,121,875	21,308,282
Goodwill	890,142	1,176,501
Trade and other payables	(2,134,264)	(2,820,857)
Current portion of finance lease	(1,395,097)	(1,843,900)
Income taxes payable	(21,673)	(28,645)
Promissory note payable	(384,516)	(508,215)
Non-current portion of finance lease	(9,272,839)	(12,255,912)
Net book value of assets disposed	16,586,656	21,922,583
Total consideration	34,250,000	45,268,225
Less: Net book value of assets disposed	16,586,656	21,922,583
Gain on disposition of Greenmart	17,663,344	23,345,642

25. OTHER INCOME

	December 31, 2020 \$	December 31, 2019 \$
Litigation recovery (Note 16)	(2,515,822)	-
Loss on termination of Cannabella acquisition (Note 10)	1,375,982	-
Other	411,268	(206,723)
Total	(728,572)	(206,723)

26. IMPAIRMENT

As at December 31, 2020, the Company performed an assessment for indicators of impairment for all CGUs. The CGUs are the operating segments described in Note 3. The Company considers external and internal factors, including overall financial performance and relevant entity specific factors, as part of this assessment. The following factors were identified as impairment indicators:

- i. Market capitalization deficiency – As at December 31, 2020, there is a significant deficiency in comparing the market capitalization of the Company to its book value.
- ii. Industry conditions – Constraints in the provincial retail distribution network, including a slower than expected ramp-up of sales in retail stores across Canada, has resulted in a decrease of expected sales and profitability.
- iii. Termination of MSAs – This has substantially reduced the expected revenue from the CGU for the cultivation management segment in the USA.

The Company allocated its intangible assets and property, plant, and equipment to its segments for the purpose of impairment testing. This represents the lowest level at which management monitors intangible assets and property, plant, and equipment. The table below is a summary of the carrying value broken down by CGU prior to the recognition of any impairments during the year ended December 31, 2020:

	Cultivation management in USA \$	Cultivation operations in Canada \$
As at December 31, 2020		
Licenses, permits and applications	-	8,571,376
Brands and trademarks	2,833,700	-
Property, plant and equipment	2,257,731	44,029,946
Total carrying value	5,091,431	52,601,322

The operating segment for the cultivation operations in Canada is comprised of the Will, GRO, and Warman facilities. Management tested the individual CGUs before testing the CGU's grouping. The recoverable amount of the cultivation operations in Canada was determined based on fair value less cost of disposal ("FVLCD") using level 3 inputs in a market approach methodology. A capitalized earnings approach to the valuation was applied to determine the recoverable amount using FVLCD for the managed services CGU.

The following table summarizes the impairment recognized on the consolidated statements of loss and comprehensive loss:

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	December 31, 2020 \$	December 31, 2019 \$
Impairment of goodwill	-	139,308,995
Impairment of licenses, permits and applications (Note 11)	8,571,376	43,560,000
Impairment of brands and trademarks (Note 11)	1,506,635	2,833,700
Impairment of property, plant and equipment (Note 8)	5,902,213	5,950,490
Total	15,980,224	191,653,185

Will CGU

The Company's WILL CGU represents its cash flows from its Brampton, Ontario facility dedicated to the cultivation and sale of cannabis products within Canada. This CGU is attributed to the Company's operating segment for the cultivation operations in Canada. To determine the FVLCD, the Company reviewed precedent transactions over the past 12 months involving indoor cultivation facilities in Canada. The Company determined that the FVLCD was below the carrying value of the CGU. The Company first allocated the impairment of \$8.6 million during the year ended December 31, 2020 (2019 - \$nil) to licenses, permits, and applications. The remaining amount was then allocated to property, plant and equipment using the replacement cost method resulting in an impairment of \$0.9 million during the year ended December 31, 2020 (2019 - \$nil). No individual asset was reduced below its fair value. There were no other assets to allocate the remaining impairment from the FVLCD approach, and therefore, no further impairment recorded.

GRO CGU

The Company's GRO CGU represents its cash flows from its Dunnville, Ontario facility dedicated to the cultivation and sale of cannabis products in Canada. This CGU is attributed to the Company's operating segment for the cultivation facilities in Canada. To determine the FVLCD, the Company reviewed precedent transactions over the past 12 months involving indoor cultivation facilities in Canada. The Company determined that the FVLCD was below the carrying value of the CGU. The Company allocated the impairment to property, plant and equipment using the replacement cost method resulting in an impairment of \$0.1 million during the year ended December 31, 2020 (2019 - \$nil). No individual assets were reduced below its fair value. There were no other assets to allocate the remaining impairment from the FVLCD approach, and therefore, no further impairment recorded. During the year ended December 31, 2019, the Company recorded an impairment of \$2.3 million to licenses, permits and applications.

Warman CGU

The Company's Warman CGU represents its cash flows from its Winnipeg, Manitoba facility dedicated to the cultivation and sale of cannabis products in Canada. This CGU is attributed to the Company's operating segment for the cultivation facilities in Canada. The Company used the replacement cost method to determine the fair value of property, plant and equipment. As a result of the impairment test, management concluded that the carrying amount was higher than the fair value and recorded an impairment of \$5.0 million during the year ended December 31, 2020 (2019 - \$nil) to the CGU's property, plant, and equipment. Management allocated the impairment loss to specific property, plant and equipment identified to have carrying value above its fair value. No individual assets were reduced below its fair value. During the year ended December 31, 2019, the Company recorded an impairment of \$41.3 million to licenses, permits and applications.

Cultivation management in USA CGU

Significant assumptions applied in the determination of the recoverable amount are described below:

	As at December 31, 2020
Total annualized revenue	\$ 442,976
Capitalization rate	15%
Cost of disposal	\$ 100,000
Fair value less cost to sell	\$ 2,015,000

The Company's cultivation management in USA CGU represents its operations related to its rental properties to licensed cannabis producers and the use of brands, trademarks, and any professional services for the cultivation and sale of cannabis products in the United States. This CGU is attributed to the Company's operating segment for managed services. As a result of the impairment test, management concluded that the carrying value was higher than the recoverable amount and recorded an impairment of \$1.5 million during the year ended December 31, 2020 (2019 - \$2.8

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million) to its brands and trademarks. In addition, during the year ended December 31, 2019, the Company recorded an impairment of \$5.9 million to property, plant and equipment.

Prior Year Goodwill Impairment

The goodwill impairment charge for the year ended December 31, 2019 allocated to the cultivation operations in Canada and cultivation management in USA operating segments are \$121.0 million and \$18.3 million, respectively.

27. INCOME TAXES

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

	December 31, 2020 \$	December 31, 2019 \$
Net loss before tax	(24,930,508)	(269,241,146)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	(6,606,585)	(71,348,904)
Differences in tax rates	(1,417,900)	719,521
Permanent non-deductible differences	7,669,365	25,025,770
Changes in tax benefits not recognized	7,231,626	10,510,930
Gain on disposition of Greenmart of Nevada, LLC	(827,734)	—
Impairment	—	31,938,595
Other	(539,170)	(1,148,908)
Total	5,509,602	(4,302,996)
Current income tax expense	6,181,504	7,045,535
Deferred income tax recovery	(671,902)	(11,348,531)
Total income tax expense (recovery)	5,509,602	(4,302,996)

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

IFRIC 23 provides guidance that adds to the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group and to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. IFRIC 23 was adopted on January 1, 2019 and is to be applied retrospectively or on a cumulative retrospective basis. Under IFRIC 23, the Company has an uncertain tax position as at December 31, 2020 of \$15,775,188 (2019 - \$10,808,184) related to the limitations under Section 280E.

The following table summarizes the components of deferred tax liabilities:

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	December 31, 2020	December 31, 2019
Non-capital losses carried forward	\$ 2,194,753	\$ 3,074,410
Debt	(144,555)	-
Share-based compensation	-	-
Capital lease obligation	-	858,990
Property, plant, and equipment	(448,369)	(1,043,570)
Tax status change	(138,303)	(282,150)
Investments	(916,926)	(688,080)
Biological assets	(1,088,173)	(147,960)
Intangible assets	-	(3,014,062)
Other	-	-
Deferred tax liabilities	\$ (541,573)	\$ (1,242,422)

The following table summarizes the movement of deferred tax liabilities:

	December 31, 2020	December 31, 2019
Balance at the beginning of the year,	\$ (1,242,422)	\$ (12,659,408)
Recognized in deferred tax expense	671,902	11,348,531
Other tax changes	28,947	68,455
Balance at the end of the year	\$ (541,573)	\$ (1,242,422)

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

The Company's deferred tax assets have not been recognized with respect to the following deductible temporary differences as the Company is not expected to generate sufficient taxable gains in order to utilize these assets:

	December 31, 2020	December 31, 2019
Share issuance costs - Canada	\$ 12,716,668	\$ 11,764,980
Non-capital losses carried forward - Canada	64,288,041	35,262,730
Property, plant and equipment - Canada	7,443,800	2,525,540
Investments - Canada	6,211,080	6,172,681
Capital lease obligation - Canada	3,109,130	-
Loss on debt restructuring - Canada	1,208,380	1,118,020
Other - Canada	158,355	-
Non-capital losses carried forward - USA	28,841,075	34,450,050
Property, plant, and equipment - USA	6,031,011	6,327,530
Goodwill and intangibles - USA	25,167,797	23,413,290
Promissory note - USA	27,979,273	33,642,820
Share-based compensation - USA	30,393,430	31,522,800
Other - USA	3,668,027	2,933,689
Total	\$ 217,216,067	\$ 189,134,130

The Company's non-capital losses expire as follows:

As at December 31, 2020	Canada	USA	Total
2037	8,064,047	-	8,064,047
2038	3,951,316	-	3,951,316
2039	24,587,208	-	24,587,208
2040	27,685,469	-	27,685,469
Indefinite life	-	28,775,524	28,775,524
Total	\$ 64,288,040	\$ 28,775,524	\$ 93,063,564

28. LOSS PER SHARE

As the Company incurred net losses during the years ended December 31, 2020 and 2019, the loss per common share is based on the weighted average number of common shares outstanding during the periods. As the effect of the outstanding RSUs, options, warrants, and convertible debt are anti-dilutive as at December 31, 2020, diluted loss per share does not differ from basic loss per share. For the year ended December 31, 2020, the impact of outstanding RSUs, outstanding options, and outstanding warrants were not included in the calculation of diluted loss per share.

29. COMMITMENTS AND CONTINGENCIES

The Company does not have any material commitments other than those previously disclosed in these consolidated statements of financial position. The table in Note 30 b), summarizes the amounts and maturity dates of the Company's contractual obligations as at December 31, 2020.

The Company is subject to certain claims and potential claims. Refer to Note 16 where the indemnity liability, appellate bond, and litigation recovery in 2020 are discussed. The Company does not expect any of these, individually or in the aggregate, to have a material adverse effect on our financial results. The outcome of all proceedings and claims against the Company are subject to future resolution that includes the uncertainties of litigation. It is not possible for us to predict the result or magnitude of the claims due to the various factors and uncertainties involved in the legal process. Based on information currently known to us, we believe it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in the aggregate, will have a material adverse effect on our business, financial results, or financial condition. If it becomes probable that we will be held liable for claims against us, we will recognize a provision during the period in which the change in probability occurs, which could be material to the consolidated statements of financial position.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Value Hierarchy

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

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

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

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Since DNA Genetics is not listed on an exchange, the Company determined the fair value of the equity investment using valuation techniques using inputs that are not based on observable market data. It was, therefore, categorized as Level 3 in the fair value hierarchy. The Company uses the latest market transaction price for these securities derived from private placements, which are not publicly observable, and any available independent valuation reports obtained from the entity. Increases (decreases) in the latest market transaction prices will result in a direct increase (decrease) to the fair value of the equity instrument. The Company reviewed DNA Genetics' shareholders update presentation for the year ended December 31, 2020 to assess whether any change in fair value, other than due to the foreign exchange movement in the investment balance, was to be recorded.

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

\$	Level 1	Level 2	Level 3	Total
As at December 31, 2020				
Investment in DNA Genetics	-	-	1,910,101	1,910,101
As at December 31, 2019				
Investment in DNA Genetics	-	-	1,948,500	1,948,500

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash, restricted cash, accounts receivable, and related parties receivable. The Company assessed the collectability of its accounts receivable and related party receivable and for the year ended December 31, 2020 recognized an expected credit loss of \$739,314 and \$201,226 for accounts receivable and related parties receivable, respectively (December 31, 2019 - \$103,904 and \$74,795). See Note 22 on the rationale for why an expected credit loss was recognized. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. Accounts receivable primarily consist of amounts due from the sales tax credits that the Company expects to fully recover. The risk exposure is limited to their carrying amounts at the statements of financial position date. As at December 31, 2020 and 2019, the Company's maximum percentage exposure to credit risk is represented by its largest customer in dollar value. This amounts to 46% and 33%, respectively, of consolidated accounts receivable. As at December 31, 2020 and 2019, the Company's maximum dollar value exposure to credit risk is \$10,163,990 and \$22,246,589, respectively. This is determined as the total amount of cash, restricted cash, accounts receivable, and due from related parties as at the date of the consolidated statements of financial position.

(b) Liquidity risk

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

The Company's cash flow is generated from cannabis sales and debt financing or equity raises. The Company monitors cash on a regular basis and reviews accounts payable, expenses, taxes, and overhead to ensure costs and commitments are being paid in a timely manner. Management has worked with and negotiated with vendors to ensure payment arrangements are satisfactory to all parties and that monthly cash commitments are managed within the Company's operating cash flow capabilities. The Company has generated \$1,589,516 revenue from cannabis produced for the year ended December 31, 2020 (2019 - \$2,052,258), which provides operating cash flow to address liquidity risk. See Note 20. The Company also repaid \$5,852,665 of principal and interest amounts on the promissory note payable during the year ended December 31, 2020 (2019 - \$nil), which reduces the liquidity risk for the year.

In the second quarter of 2020, the Company and its senior lender executed amendments to its existing loan agreements. During the year ended December 31, 2020, the Company did not make a scheduled repayment of the term loans and did not meet its financial covenants pursuant to the debt facilities. On April 21, 2021, the Company received a signed waiver from the senior lender for the breach of its financial covenants under the loan agreements in-force as at December 31, 2020. Under the terms of the waiver, the entirety of the principal balance, including accrued interest payable up until the repayment date, is due May 1, 2022.

As at December 31, 2020, the Company had a cash balance of \$1,511,921. The following table summarizes amounts and maturity dates of the Company's contractual obligations as at December 31, 2020:

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	Within 1 year	2 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	9,362,942	-	-	9,362,942
Due to related parties	353,919	-	-	353,919
Income taxes payable	15,321,326	-	-	15,321,326
Promissory notes payable	6,285,109	2,302,840	-	8,587,949
Finance leases	436,849	1,739,237	1,102,985	3,279,071
Current portion of long-term debt	152,974,065	-	-	152,974,065
Total	184,734,210	4,042,077	1,102,985	189,879,272

(c) Market risk

Currency risk

Currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at December 31, 2020, the Company had functional currencies of Canadian dollars and US dollars for US subsidiaries' financial assets and liabilities for which cash flows were denominated in foreign currencies. Management closely monitors the fluctuation of the Company's foreign currency and believes the foreign currency exchange risk derived from its other activities is low, so therefore, does not hedge the foreign currency exchange risk arising from these activities. The impact on net income (loss) from changes in the foreign exchange rates are shown in the table below:

	Net income (loss)			
	2020		2019	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
USD/CAD	\$ (347,936)	\$ 347,936	\$ (252,483)	\$ 252,483

Interest rate risk

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

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

	Net income (loss)			
	2020		2019	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
BNS Prime rate	\$ 1,827,368	\$ (1,844,014)	\$ 1,564,722	\$ (1,578,976)

31. CAPITAL MANAGEMENT

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

In the second quarter of 2020, the Company executed amendments to its loan agreements with its senior lender allowing it to defer principal and interest payments and waive requirements to meet its debt covenants until a later date. Details of the amendments are provided in Note 14.

The capital structure of the Company consists of items included in equity and debt, net of cash. The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products

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to fund operations and expansion activities. The Company is subject to certain covenant requirements related to its debt facilities.

32. NON-CONTROLLING INTEREST

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

	\$
Balance, January 1, 2019	-
On acquisition of control of GRO	3,333,445
Portion of net loss at 24.49%	400,657
Balance, December 31, 2019	3,734,102
Portion of net income at 24.49%	12,101
Balance, December 31, 2020	3,746,203

33. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2020 \$	December 31, 2019 \$
Accounts receivable	(3,525,815)	(513,184)
Due from related parties	2,427,825	(3,581,700)
Biological assets	2,730,769	9,656
Inventory	(5,406,739)	(334,471)
Prepaid expense and other assets	7,243,819	(1,701,010)
Accounts payable and accrued liabilities	(5,094,842)	2,053,104
Income taxes payable	6,874,243	6,581,107
Due to related parties	13,889	(558,712)
Total changes in working capital	5,263,149	1,954,790

	December 31, 2020 \$	December 31, 2019 \$
Net earnings from equity investment	(4,240,817)	(2,757,155)
Gain on disposition of equity investment	-	(897,100)
Loss on disposition of property, plant, and equipment	1,081	140,219
Gain on loan modifications	(363,720)	(161,504)
Loss from discontinued operations	4,400,424	1,175,206
Litigation recovery	(2,515,822)	-
Other	3,439,750	(612,586)
Total add-back for non-cash loss (gain)	720,896	(3,112,920)

34. SUBSEQUENT EVENTS

a) Amalgamation of subsidiaries

On January 1, 2021, GrowForce Manitoba Inc. amalgamated into 8586985 Canada Corporation and Grand River Organics Inc. amalgamated into Highgrade MMJ Corporation.

b) Supply agreement with the British Columbia Liquor Distribution Branch (BCLDB)

On January 6, 2021, the Company announced the completion of a major supply agreement with the BCLDB to supply the provincial wholesaler with premium cannabis products in two formats: 3.5 grams whole flower and 5 x 5 grams pre-rolls. The Company is entering the B.C. market with its new flagship brand, Flint & Embers. The Flint & Embers brand is recognized for its high-quality cannabis varieties, and has received interest from both legal-aged consumers as well as Cannabis retailers across Canada.

c) Standing offer agreement with Alberta Gaming, Liquor, and Cannabis (AGLC) and first shipment of recreational cannabis to Alberta

On January 28, 2021, the Company announced that it has been registered to sell cannabis through AGLC and has entered into a standing offer agreement with AGLC for the sale of its premium high-quality cannabis in the Alberta market under the Flint & Embers and BLLRDR brands. On March 29, 2021, the Company announced that it has made its first shipment of recreational cannabis to the province of Alberta. The initial shipment includes Flint & Embers Hyperion, the Company's unique take on the GSC x Conspiracy Kush cultivar, Flint & Embers Orion, the Company's unique take on the Whiteberry cultivar, BLLRDR Afghani Bullrider, and BLLRDR Wedding Cake.

d) Debt waiver from the senior lender

On April 21, 2021, the Company received a signed waiver from the senior lender for the breach of its financial covenants under the loan agreements in-force as at December 31, 2020. Under the terms of the waiver, the entirety of the principal balance, including accrued interest payable up until the repayment date, is due May 1, 2022.

e) Early settlement of remaining Cheyenne sale proceeds from Harvest Health and Recreation

In April 2021, the Company and Harvest agreed to a final settlement and reduction of the previously disclosed US\$5.0 million Final Payment to the amount of US\$4.25 million with Harvest to make the Final Payment to the Company despite the approval of the license transfer not yet having occurred. In accordance with the requirements of the Company's existing credit facility, the Company shall cause certain of its subsidiaries to use the Final Payment to repay a portion of the accrued interest owing to the Company's senior lender. In connection with this debt repayment, the senior lender has agreed to the establishment of a new revolving credit facility in favour of such subsidiaries of the Company in an aggregate maximum principal amount of \$5.3 million (the "Maximum Amount"). This facility is established as a sub-facility under the existing credit facility between the senior lender and such subsidiaries of the Company and will bear interest at a rate of 15% per annum, compounded monthly, with a one-time work fee of 2% of the Maximum Amount paid to the senior lender.

f) Strategic review process

In April 2021, the Board of Directors formed a special committee of independent directors to explore, review and evaluate a broad range of strategic alternatives for the Company due to its limited capital resources, with a view to identifying a transaction that is in the best interests of shareholders. These alternatives may include continuing as a standalone public company, going private, undertaking a recapitalization or other restructuring transaction, or being purchased by a strategic partner. The Company has not made any decisions related to strategic alternatives at this time, and there can be no assurance that the evaluation of strategic alternatives will result in any transaction or change in strategy. The Company does not intend to comment further unless and until the Board of Directors of the Company has approved a specific course of action or the Company has determined further disclosure is appropriate or necessary.