MJardin Group, Inc.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Expressed in Canadian dollars, unless otherwise stated)

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

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

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

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

MJardin Group, Inc.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2021 and December 31, 2020
(Expressed in Canadian dollars, unless otherwise stated)

As at	Note	June 30, 2021	December 31, 2020
Assets		$	$
Current assets			
Cash		968,505	1,511,921
Accounts receivable	4	1,450,523	7,611,881
Current portion of due from related parties	14	599,501	1,040,188
Biological assets	7	851,889	1,612,817
Inventory	7	8,137,394	4,486,483
Prepaid expenses and other assets	5	948,480	1,632,532
Assets held for sale	6	4,893,576	4,893,576
Total current assets		**17,849,868**	**22,789,398**
Non-current assets			
Property, plant and equipment	8	42,171,396	41,489,341
Non-current portion of due from related party	14	641,160	-
Investments	9	40,433,634	36,494,794
Intangible assets		11,200	11,200
Total non-current assets		**83,257,390**	**77,995,335**
Total assets		**101,107,258**	**100,784,733**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	11,412,640	9,362,942
Due to related parties	14	265,270	353,919
Current portion of finance lease	13	410,715	436,849
Current portion of long-term debt	12	-	152,974,065
Income taxes payable	20	14,914,586	15,321,326
Current portion of promissory note payable	11	6,631,844	6,285,109
Total current liabilities		**33,635,055**	**184,734,210**
Non-current liabilities			
Non-current portion of finance lease	13	2,765,092	2,842,222
Long-term debt	12	161,254,287	-
Deferred tax liabilities	20	484,313	541,573
Non-current portion of promissory note payable	11	2,711,241	2,302,840
Convertible debentures		123,940	127,320
Total non-current liabilities		**167,338,873**	**5,813,955**
Total liabilities		**200,973,928**	**190,548,165**
Shareholders' deficiency			
Common shares equity	15(a)	263,266,628	263,493,688
Restricted share units reserve	15(b)	10,144,981	10,182,781
Options reserve	15(c)	12,289,070	11,048,323
Warrants reserve	15(d)	9,946,918	9,946,918
Accumulated other comprehensive income	16	4,432,269	3,024,547
Deficit		(395,902,579)	(383,713,486)
Deficiency attributable to the shareholders of MJardin Group, Inc.		(95,822,713)	(86,017,229)
Non-controlling interest	25	(4,043,957)	(3,746,203)
Total shareholders' deficiency		(99,866,670)	(89,763,432)
Total liabilities and shareholders' deficiency		**101,107,258**	**100,784,733**

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 22)
Subsequent events (Note 27)

Approved by the Board of Directors

/s/ Anthony Dutton, Director
Date: August 4, 2021

/s/ Blair Jordan, Director
Date: August 4, 2021

MJardin Group, Inc.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars, unless otherwise stated)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
		$		$	$
Revenues	17	1,118,769	2,105,015	2,473,023	4,308,597
Direct operating costs		(844,324)	(1,503,416)	(1,836,143)	(3,421,376)
Inventory write-down	7	(3,079,455)	(285,376)	(3,838,073)	(285,376)
Gross margin before fair value adjustments		**(2,805,010)**	**316,223**	**(3,201,193)**	**601,845**
Fair value adjustment on the sale of cultivated inventory	7	593,797	–	950,114	–
Unrealized gain on changes in fair value of biological assets	7	(2,046,216)	(533,865)	(4,656,872)	(646,200)
Gross margin		**(1,352,591)**	**850,088**	**505,565**	**1,248,045**
Operating expenses					
Sales, general and administrative	18	2,290,397	3,691,338	3,337,323	7,522,108
Share-based compensation		743,433	594,300	1,240,747	1,200,252
Depreciation and amortization		109,164	250,357	239,059	945,862
Total operating expenses		3,142,994	4,535,995	4,817,129	9,668,222
Loss from operations		**(4,495,585)**	**(3,685,907)**	**(4,311,564)**	**(8,420,177)**
Interest expense	19	5,622,644	4,026,538	10,331,748	8,160,571
Net earnings from equity investment	9	(1,785,139)	(1,322,858)	(3,935,935)	(1,612,130)
Loss (gain) on loan modifications	14	1,264,065	(754,122)	1,264,065	(754,122)
Foreign exchange (gain) loss		(318,924)	1,220,151	743,004	(968,546)
Other (income) loss		(11,625)	1,732,092	(481,301)	1,716,473
Total other expenses		4,771,021	4,901,801	7,921,581	6,542,246
Loss before income tax, discontinued operations		**(9,266,606)**	**(8,587,708)**	**(12,233,145)**	**(14,962,423)**
Income tax recovery (expense)	20	113,338	(637,115)	44,052	(1,117,927)
Loss before discontinued operations		**(9,153,268)**	**(9,224,823)**	**(12,189,093)**	**(16,080,350)**
Loss from discontinued operations	6	–	(3,271,632)	-	(4,529,340)
Net loss		**(9,153,268)**	**(12,496,455)**	**(12,189,093)**	**(20,609,690)**
Other comprehensive income (loss)		999,322	1,839,941	1,407,722	(667,562)
Total comprehensive loss		**(8,153,946)**	**(10,656,514)**	**(10,781,371)**	**(21,277,252)**
Total comprehensive loss attributable to:					
Shareholders of MJardin Group, Inc.		(8,083,154)	(10,580,842)	(10,483,617)	(21,090,246)
Non-controlling interest	25	(70,792)	(75,672)	(297,754)	(187,006)
Total comprehensive loss		**(8,153,946)**	**(10,656,514)**	**(10,781,371)**	**(21,277,252)**
Weighted average number of common shares (basic and diluted)	15	94,368,852	89,741,197	93,876,498	87,831,860
Basic and diluted loss per share from continuing operations	15	$ (0.09)	$ (0.08)	$ (0.13)	$ (0.19)
Basic and diluted loss per share from discontinued operations	15	$ -	$ (0.04)	-	(0.05)
Basic and diluted loss per share	**15**	**$ (0.09)**	**$ (0.12)**	**$ (0.13)**	**$ (0.24)**

MJardin Group, Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars, unless otherwise stated)

	Number of units	Common shares [Note 15(a)]	RSU reserves [Note 15(b)]	Options reserves [Note 15(c)]	Warrants reserves [Note 15(d)]	Accumulated other comprehensive income (Note 16)	Deficit	Non-controlling interest (Note 25)	Total
	#	$	$	$	$	$	$	$	$
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 15(a)(i)]	4,716,982	1,000,000	-	-	-	-	-	-	1,000,000
Shares issued for legal settlements [Note 15(a)(ii)]	3,272,727	334,075	-	-	-	-	-	-	334,075
Restricted share units transferred to common shares [Note 15(a)(iii)]	1,476,000	11,498,040	(11,498,040)	-	-	-	-	-	-
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	(187,006)	(187,006)
Share-based compensation	-	-	145,418	1,054,836	-	-	-	-	1,200,254
Net loss	-	-	-	-	-	(667,562)	(20,609,690)	-	(21,277,252)
Balance at June 30, 2020	**89,741,197**	**263,493,688**	**10,184,747**	**9,474,244**	**9,946,918**	**653,592**	**(369,482,642)**	**(3,921,108)**	**(79,650,561)**
Balance at January 1, 2021	**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)**
Shares cancelled for termination of CCAS acquisition [Note 15(a)(iv)]	(370,883)	(264,860)	-	-	-	-	-	-	(264,860)
Restricted share units transferred to common shares [Note 15(a)(iii)]	7,200	37,800	(37,800)	-	-	-	-	-	-
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	(297,754)	(297,754)
Share-based compensation	-	-	-	1,240,747	-	-	-	-	1,240,747
Net income (loss)	-	-	-		-	1,407,722	(12,189,093)	-	(10,781,371)
Balance at June 30, 2021	**89,377,514**	**263,266,628**	**10,144,981**	**12,289,070**	**9,946,918**	**4,432,269**	**(395,902,579)**	**(4,043,957)**	**(99,866,670)**

MJardin Group, Inc.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2021 and 2020
(Expressed in Canadian dollars, unless otherwise stated)

		Six months ended June 30,	
	Note	**2021**	**2020**
Operating activities		$	$
Net loss		(12,189,093)	(20,609,690)
Adjustments for:			
Inventory write-down	7	3,838,073	285,376
Fair value adjustment on the sale of cultivated inventory	7	950,114	-
Unrealized gain on changes in fair value of biological assets	7	(4,656,872)	(646,200)
Share-based compensation		1,240,747	1,200,252
Depreciation and amortization		239,059	945,862
Unrealized foreign exchange loss		743,004	2,509,038
Deferred income tax (recovery) expense	20	(25,003)	463,822
Interest expense		10,331,748	8,160,571
Interest paid		-	(4,685,279)
Non-cash (gain) loss	26	(2,809,447)	2,547,591
Cash outflow from operating activities before changes in working capital		**(2,337,670)**	**(9,828,657)**
Changes in working capital items	26	5,882,336	7,589,110
Cash inflow (outflow) from operating activities		**3,544,666**	**(2,239,547)**
Investing activities			
Purchase of property, plant, and equipment	8	(1,737,040)	(3,122,401)
Proceeds from disposition of property, plant, and equipment		-	33,900
Proceeds from disposition of assets held for sale		-	5,852,665
Cash transferred to assets held for sale		-	(2,516,286)
Cash (outflow) inflow from investing activities		**(1,737,040)**	**247,878**
Financing activities			
Issuance of common shares		-	1,000,000
Proceeds from debt	12	1,600,000	3,000,000
Repayment of debt	12	(4,201,571)	(1,332,133)
Proceeds (repayment) of promissory note payable	11	391,821	(5,534,321)
Repayment of finance leases	13	(138,740)	(219,132)
Cash outflow from financing activities		**(2,348,490)**	**(3,085,586)**
Decrease in cash		(540,864)	(5,077,255)
Net effect of foreign exchange on cash		(2,552)	186
Cash – beginning of the period		1,511,921	10,019,356
Cash – end of the period		**968,505**	**4,942,287**

Supplemental cash flow information (Note 26)

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 unaudited condensed interim 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 which has a facility in Brampton, Ontario ("Will") and a facility in Winnipeg, Manitoba ("Warman") and Highgrade MMJ Corporation ("GRO").

Going concern

These unaudited condensed interim 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 six months ended June 30, 2021, the Company reported a net loss of $12,189,093 (June 30, 2020 – $20,609,690), cash inflow from operating activities of $3,544,666 (June 30, 2020 – outflow of $2,239,547), working capital deficit of $15,785,187 (December 31, 2020 – $161,944,812), and an accumulated deficit of $395,902,579 (December 31, 2020 – $383,713,486).

These conditions create a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern. These unaudited condensed interim 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 financings, sales of assets, and to start generating positive cash flow from operating activities before changes in working capital. 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***

As at December 31, 2020, the Company was not in compliance with its financial covenants described in note 12c). During the three months ended June 30, 2021, the Ontario Superior Court of Justice appointed PricewaterhouseCoopers Inc. as receiver ("Receiver") and manager over the assets, undertakings, and properties of the Company's senior lender. Since then, the Company has been in contact with the Receiver regarding the loan agreements. The Company and the Receiver then entered into additional waivers with respect to the loan agreements and the maturity date for the principal balance, including interest payable thereon, was extended to November 30, 2022. Pursuant to the additional waivers, the Company is no longer required to assess compliance with the financial covenants and the principal balance, including interest payable thereon, is due November 30, 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 November 30, 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 three and six months ended June 30, 2021, COVID-19 had an adverse impact on local economics and the global economy. COVID-19 affected the Company's ability to continue its operations at its facilities, particularly Will, and resulted in temporary shortages of staff to the extent its workforce is impacted. The Company made active efforts to minimize the impact of COVID-19. Facilities were professionally cleaned to support the staff's return to work and mitigate any potential facility outbreak. Additional equipment vendors were sourced to address suppliers who became no longer available or had a lack of supplies on hand. A potential facility outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations, and cash flows including lost revenue. The Company's operations are considered an essential service in all jurisdictions and all facilities are continuing to operate with protocols in place to prevent the spread of the virus. 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) *Statement of compliance*

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

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates, and methods described in the Company's annual consolidated financial statements. Given that certain information and note disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

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

b) *Basis of measurement*

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

c) *Presentation and functional currency*

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

d) *Basis of consolidation*

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

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

The Company's subsidiaries and ownership interests as at June 30, 2021 are as follows:

(Expressed in Canadian dollars, unless otherwise stated)

Entity Name	Country of Incorporation	% of Ownership
MJAR Holdings Corp.	U.S.A	100%
GrowForce Holdings Inc.	Canada	100%
8586985 Canada Corporation	Canada	100%
Highgrade MMJ Corporation	Canada	75.5%
GrowForce AC Holdings Inc.	Canada	39%
AtlantiCann Medical Inc.**Error! Bookmark not defined.**	Canada	39%
Ringsby Services Inc.	Canada	100%
MJardin Management, 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 Pennsylvania, LLC	U.S.A	100%
MJardin Capital, 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%
MJardin Merger Sub, LLC	U.S.A	100%

[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.

e) ***Critical accounting estimates and judgments***

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

Accounting estimates and judgments applied in these unaudited condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2020.

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:

(Expressed in Canadian dollars, unless otherwise stated)

For the three months ended June 30, 2021	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $
Revenue	195,909	922,860	1,118,769
Direct operating costs	(27,731)	(816,593)	(844,324)
Sales, general and administrative	(816,772)	(1,473,625)	(2,290,397)
Depreciation and amortization	(65,513)	(43,651)	(109,164)
Interest expense	(1,953,653)	(3,668,991)	(5,622,644)
Net loss	(761,636)	(8,391,632)	(9,153,268)

For the three months ended June 30, 2020	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $
Revenue	2,105,015	-	2,105,015
Direct operating costs	(1,403,296)	(100,120)	(1,503,416)
Sales, general and administrative	(1,131,311)	(2,560,027)	(3,691,338)
Depreciation and amortization	(56,788)	(193,569)	(250,357)
Interest expense	(803,055)	(3,223,483)	(4,026,538)
Net loss	(4,910,614)	(4,314,209)	(9,224,823)

For the six months ended June 30, 2021	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $
Revenue	470,736	2,002,287	2,473,023
Direct operating costs	(57,731)	(1,778,412)	(1,836,143)
Sales, general and administrative	(1,117,695)	(2,219,628)	(3,337,323)
Depreciation and amortization	(127,206)	(111,853)	(239,059)
Interest expense	(3,012,367)	(7,319,381)	(10,331,748)
Net loss	(3,079,806)	(9,109,287)	(12,189,093)

For the six months ended June 30, 2020	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $
Revenue	4,308,597	-	4,308,597
Direct operating costs	(3,249,326)	(172,050)	(3,421,376)
Sales, general and administrative	(3,241,264)	(4,280,844)	(7,522,108)
Depreciation and amortization	(484,191)	(461,671)	(945,862)
Interest expense	(1,949,616)	(6,210,955)	(8,160,571)
Net loss	(6,578,707)	(9,501,643)	(16,080,350)

(Expressed in Canadian dollars, unless otherwise stated)

June 30, 2021	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $	Total $
Total assets	3,946,914	92,266,768	96,213,682	101,107,258
Total liabilities	54,308,868	146,665,060	200,973,928	200,973,928

December 31, 2020	Cultivation management in USA $	Cultivation operations in Canada $	Total continuing operations $	Total $
Total assets	10,560,581	85,330,576	95,891,157	100,784,733
Total liabilities	53,687,481	136,860,684	190,548,165	190,548,165

4. ACCOUNTS RECEIVABLE

	June 30, 2021 $	December 31, 2020 $
Trade receivables (a)	1,249,857	1,901,099
Expected credit loss (b)	(682,486)	(739,314)
Indirect taxes receivable	883,152	1,038,996
Receivable from Harvest Health and Recreation Inc.	-	5,411,100
Total	**1,450,523**	**7,611,881**

(a) Trade receivables are from arm’s-length, non-related operators and consulting customers. As at June 30, 2021, $743,166 of trade receivables is over 90 days past due (December 31, 2020 - $1,281,666).

(b) The Company has assessed the collectability of trade receivables based on their aging, payment history, and current negotiations with customers, and it was determined that an expected credit loss of $682,486 as at June 30, 2021 (December 31, 2020 - $739,314) is appropriate.

5. PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2021 $	December 31, 2020 $
Insurance	426,199	993,519
Deposits on construction & equipment	61,200	97,587
Rent deposits	182,471	184,553
Appellate bond	-	223,383
Other	278,610	133,490
Total	**948,480**	**1,632,532**

(Expressed in Canadian dollars, unless otherwise stated)

6. ASSETS HELD FOR SALE

As at June 30, 2021, the Warman building is included in assets held for sale on the condensed interim consolidated statements of financial position in the amount of $4,893,576. The Company has received an offer to purchase the building located at 1 Warman Road, Winnipeg, Manitoba. The Company intends to complete a sale leaseback of the building in 2021 with proceeds of the sale being used to repay the promissory notes payable.

7. BIOLOGICAL ASSETS AND INVENTORY

The following table is a summary of the movement in the biological assets for the periods ended June 30, 2021 and December 31, 2020:

$	Amount
Balance at January 1, 2020	148,209
Unrealized gain on changes in fair value of biological assets	3,827,226
Production costs capitalized	3,417,909
Transferred to inventory upon harvest	(5,780,527)
Carrying amount, December 31, 2020	1,612,817
Unrealized gain on changes in fair value of biological assets	4,656,872
Production costs capitalized	2,542,391
Transferred to inventory upon harvest	(7,960,191)
Carrying amount, June 30, 2021	**851,889**

All of the plants are to be harvested as agricultural produce. As at June 30, 2021, all of the plants to be harvested are between 2 and 9 weeks from harvest (December 31, 2020 - 1 and 11 weeks) and the life cycle is estimated to be 94 to 107 days (December 31, 2020 - 110 to 117 days).

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

To determine fair value, the Company:

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

The 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 June 30, 2021, it is expected the Company's biological assets will yield approximately 446,313 grams excluding trim (June 30, 2020 – 1,206,862 grams including trim). As at June 30, 2021, the Company estimates harvest yields for the plants based on the current stage of growth to have a value of $851,889 (December 31, 2020 - $1,612,817). 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 June 30, 2021 have incurred an average of 66% of costs to harvest (December 31, 2020 – 57%).

As at June 30, 2021, the weighted average selling price used in the valuation is $4.57 per gram, net of excise tax (December 31, 2020 - $5.22 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.

(Expressed in Canadian dollars, unless otherwise stated)

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	
	June 30, 2021	**December 31, 2020**		**June 30, 2021**	**December 31, 2020**
Selling price ($)	4.57	5.22	10%	133,547	206,128
Yield by plant (grams)	72-146	90-136	15%	229,942	365,874
Average life cycle (days)	94-107	90-120	10%	121,406	187,389
Percentage of costs to harvest incurred	66%	57%	10%	57,959	104,304

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

	As at June 30, 2021			As at December 31, 2020		
	Capitalized Cost $	**Fair Value $**	**Total $**	**Capitalized Cost $**	**Fair Value $**	**Total $**
Work-in-process	1,553,093	1,755,660	3,308,753	1,104,179	902,377	2,006,556
Finished goods	2,881,018	1,947,623	4,828,641	1,252,728	1,227,199	2,479,927
Total	**4,434,111**	**3,703,283**	**8,137,394**	**2,356,907**	**2,129,576**	**4,486,483**

During the three months and six months ended June 30, 2021, the Company recognized a fair value adjustment on the sale of cultivated inventory of $593,797 and $950,114, respectively (three and six months ended June 30, 2020 – $nil and $nil). The Company measures inventory at the lower of cost and net realizable value, resulting in an inventory write-down for the three and six months ended June 30, 2021 of $nil and $452,054 (three and six months ended June 30, 2020 – $nil), which is on the unaudited condensed interim consolidated statements of loss and comprehensive loss. The Company recorded a write-down of inventory during the three months and six months ended June 30, 2021 related to dried cannabis that was old and unsellable inventory in the amount of $758,618 and $2,627,401, respectively (three and six months ended June 30, 2020 – $285,376 and $285,376), which is on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Land (b)	Building (b)	Computers & Equipment	Fixture & Furniture	Leasehold Improvements	Right-of-use Assets	Production Equipment	Construction in Progress	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at January 1, 2020	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	-	-	62,845	57,583	5,177,045	-	1,260,793	283,016	6,841,282
Dispositions	-	-	(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**
Additions	-	-	45	-	238,178	-	58,745	1,440,072	1,737,040
Reclassifications	-	-	-	-	776,520	-	-	(776,520)	-
Foreign exchange on translation	(29,628)	(59,372)	(2,668)	(4,238)	(26,998)	(10,663)	(1,951)	-	(135,518)
Balance at June 30, 2021	**7,971,500**	**11,263,328**	**337,508**	**442,446**	**16,791,364**	**1,542,030**	**5,560,376**	**14,466,098**	**58,374,650**
Accumulated depreciation									
Balance at January 1, 2020	**1,652,950**	**3,785,381**	**118,660**	**113,860**	**1,201,956**	**352,707**	**216,293**	**-**	**7,441,807**
Depreciation	-	444,298	47,267	54,712	464,964	312,756	784,995	-	2,108,992
Dispositions	-	-	(7,457)	-	-	-	(27,099)	-	(34,556)
Impairment of PPE	-	-	-	-	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**
Depreciation (a)	-	176,405	23,495	24,450	218,743	151,412	506,213	-	1,100,718
Foreign exchange on translation	(43,016)	(94,952)	(1,779)	(3,466)	(28,930)	(7,701)	(1,408)	-	(181,251)
Balance at June 30, 2021	**1,577,354**	**4,239,723**	**179,041**	**187,070**	**6,845,125**	**804,686**	**1,477,915**	**892,339**	**16,203,254**
Net book value									
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**
June 30, 2021	**6,394,146**	**7,023,605**	**158,467**	**255,376**	**9,946,239**	**737,344**	**4,082,461**	**13,573,759**	**42,171,396**

a) Depreciation relating to manufacturing equipment and production facilities for owned and right-of-use lease assets is capitalized into biological assets and inventory, and is expensed to direct operating expenses upon the sale of goods. For the six months ended June 30, 2021, $861,659 (2020 – $1,305,580) of depreciation was capitalized into biological assets and inventory.

b) Land and building includes lessor rental assets with a total net book value as at June 30, 2021 of $2,762,960 (December 31, 2020 – $2,879,947). Accumulated depreciation related to leased assets as at June 30, 2021 is $608,210 and there were no additions to leased assets during the period.

As at June 30, 2021, the Company performed an assessment for indicators of impairment for all CGUs. The Company considers external and internal factors, including overall financial performance and relevant entity specific factors, as part of this assessment.

On July 12, 2021, the Company decided to suspend construction, pre-roll, and phenotype hunting programs at the Warman Facility. Effective July 12, 2021, the facility is placed into care and maintenance until further notice. The Company will keep the Health Canada License for the facility in place and retains the option, at the Company's sole discretion, to take the facility out of care and maintenance or if circumstances require, completely shut down the Warman Facility. As a result, the Company concluded that an impairment indicator exists for the Warman Facility. This CGU is attributed to the Company's operating segment for the cultivation operations in Canada.

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. 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 approximated its fair value, so the Company recorded an impairment of $nil during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – $nil).

(Expressed in Canadian dollars, unless otherwise stated)

9. INVESTMENTS

	AtlantiCann Medical Inc. ("AMI")	OG DNA Genetics Inc. ("DNA Genetics")	Total
	$	$	$
Balance, January 1, 2020	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**
Net income from equity investee	3,935,936	-	3,935,936
Gain on change in fair value, unrealized	-	2,904	2,904
Balance, June 30, 2021	**38,520,629**	**1,913,005**	**40,433,634**

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. The Company has a 39% ownership interest in AMI and has representation on AMI's board of directors.

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.

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 three and six months ended June 30, 2021 and for the year ended December 31, 2020. All other gains and losses are recognized in OCI without reclassification on derecognition. During the six months ended June 30, 2021, the Company recognized a $2,904 gain on change in FVTOCI due to the foreign exchange rate movement (year ended December 31, 2020 - $38,399 loss).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	December 31, 2020
	$	$
Trade accounts payable	7,018,142	5,611,682
Payroll tax liabilities	1,850,805	1,887,339
Accrued liabilities	1,259,960	1,063,212
Payroll accruals	504,300	506,059
HST payable	624,125	82,342
Unearned revenue	155,308	212,308
Total	**11,412,640**	**9,362,942**

(Expressed in Canadian dollars, unless otherwise stated)

11. 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% 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 balances as at June 30, 2021 and December 31, 2020 include accrued interest payable on the promissory note up to that date.

	June 30, 2021 $	December 31, 2020 $
Opening balance	6,285,109	11,476,603
Principal repayment	-	(5,411,253)
Interest payment	-	(441,412)
Accrued interest	346,735	661,171
Closing balance	**6,631,844**	**6,285,109**

In 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 balances as at June 30, 2021 and December 31, 2020 include accrued interest payable on the promissory note up to that date.

	June 30, 2021 $	December 31, 2020 $
Opening balance	2,302,840	-
Proceeds from promissory note	391,821	2,279,263
Accrued interest	16,580	23,577
Closing balance	**2,711,241**	**2,302,840**

12. DEBT FACILITIES

	June 30, 2021 $	December 31, 2020 $
Term revolving loan – Bank of Nova Scotia prime rate (“BNS Prime Rate”) + 9.55% (a)	125,310,869	118,163,970
Term loan – BNS Prime Rate + 9.55% (b)	33,876,002	34,810,095
Term loan – 15% (b)	2,067,416	-
Total	**161,254,287**	**152,974,065**
Current portion of long-term debt	-	(152,974,065)
Long-term debt	**161,254,287**	**-**

(a) Loans owed by the Canadian facilities

In 2018, the Company entered into a secured demand revolving loan agreement with a senior lender, which provided support to the operational facilities in Canada. The loans are guaranteed by 8586985 Canada Corporation, and

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.

During the three months ended June 30, 2021, 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 and no longer required to make monthly principal payments on the loan until November 30, 2022 as described in note 12(c) from the waiver received. The entirety of the principal balance, including accrued interest payable up until the repayment date, is due November 30, 2022. As a result, the debt balance has been reclassified from current to long-term on the condensed interim statements of financial position.

As a result of the amendments, the Company recognized a loss on loan modification of $2,209,374, which is offset against the gain on the modified loans owed by the US facilities of $945,310 and is included in the loss on loan modifications line on the unaudited condensed interim consolidated statements of loss and other comprehensive loss. The effective interest rates on the loans after the amendment is 11.42%. Refer to Note 19 for the interest expense incurred on the debt facilities for the three and six months ended June 30, 2021 and 2020.

(b) Loans owed by the US entities

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.

During the three months ended June 30, 2021, 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 and no longer required to make monthly principal payments on the loan until November 30, 2022 as described in note 12(c) from the waiver received. The entirety of the principal balance, including accrued interest payable up until the repayment date, is due November 30, 2022. As a result, the debt balance has been reclassified from current to long-term on the condensed interim statements of financial position.

As a result of the amendments, the Company recognized a gain on loan modification of $945,310, which is offset against the loss on the modified loans owed by the Canadian facilities of $2,209,374 and is included in the loss on loan modifications line on the unaudited condensed interim consolidated statements of loss and other comprehensive loss. The effective interest rates on the loans after the amendment range from 9.49% to 14.22%. Refer to Note 19 for the interest expense incurred on the debt facilities for the three and six months ended June 30, 2021 and 2020.

During the three months ended June 30, 2021, the Company closed a second 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 15% per annum. As at June 30, 2021, the Company drew down $2,624,954 of the $5,325,525 available amount of this loan facility. During the three and six months ended June 30, 2021, the Company made a net repayment of $2,601,571 on the loans owed by the US entities (2020 – net proceeds of $1,667,867).

(c) Financial covenants of the loans

In 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. As at December 31, 2020, the Company was not in compliance with the financial covenants.

During the three months ended June 30, 2021, the Ontario Superior Court of Justice appointed PricewaterhouseCoopers Inc. as receiver (“Receiver”) and manager over the assets, undertakings, and properties of the Company’s senior lender. Since then, the Company has been in contact with the Receiver regarding the loan agreements. The Company and the Receiver then entered into additional waivers with respect to the loan agreements and the maturity date for the principal balance, including interest payable thereon, was extended to November 30, 2022. Pursuant to the additional waivers, the Company is no longer required to assess compliance with the financial covenants and the principal balance, including interest payable thereon, is due November 30, 2022.

(Expressed in Canadian dollars, unless otherwise stated)

13. FINANCE LEASE

a) *The Company as a lessee*

	June 30, 2021 $	December 31, 2020 $
Balance at the beginning of the period	3,279,071	3,577,897
Lease payments	(138,740)	(298,600)
Interest accretion	76,419	170,622
Foreign exchange impact	(40,943)	(170,848)
Balance at the end of the period	3,175,807	3,279,071
Less: current portion	(410,715)	(436,849)
Non-current portion of finance lease	**2,765,092**	**2,842,222**

As at June 30, 2021 and December 31, 2020, the undiscounted future finance lease payments are $4,197,293 and $4,429,070, 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.

The following table summarizes the Company's future minimum lease payments as at June 30, 2021:

	Amount $
2021	328,142
2022	332,191
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. For the three months and six months ended June 30, 2021, the Company recognized lease income of $110,244 and $220,488 respectively (three and six months ended June 30, 2020 – $116,244 and $232,488) presented as revenue on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

14. RELATED PARTY TRANSACTIONS

In the ordinary course of business, under market terms and conditions comparable to those provided to unrelated third parties, the Company generates revenue from the following related parties; PotCo LLC, Next 1 Labs, Cloud 9 Support LLC, and F&L Warm Springs LLC. These transactions are considered related party in nature since a director on the board of the Company co-founded and is 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 June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 $	December 31, 2020 $
AMI (b)	500,000	203,206
Other related party	104,169	107,010
Next 1 Labs	-	10,142
PotCo LLC	-	66,926
Expected credit loss	(4,668)	(201,226)
Due from related parties - Current	**599,501**	**186,058**
F&L WarmSprings LLC (a)	641,160	854,130
Due from related parties - Non-current	**641,160**	**854,130**

(Expressed in Canadian dollars, unless otherwise stated)

(a) Interest is payable in monthly installments at a rate of 15% per annum. An amended promissory note agreement was signed in April 2021 with the full principal amount of US $500,000 due on December 31, 2022.
(b) The Company provides consulting, design, operational and other management services to AMI. The Company holds an investment in AMI as described in Note 9.

Due to related parties as at June 30, 2021 is $265,270 (December 31, 2020 - $353,919). This amount is owed to directors of the Company, and minority shareholders.

The following table provides a summary of the amounts owed for services provided from related parties:

	Three months ended June 30,		**Six months ended June 30,**	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Fees from cultivation and management services	-	117,081	-	239,597
Interest income	23,025	25,974	46,763	51,191
Total revenues from related parties	**23,025**	**143,055**	**46,763**	**290,788**
Director fees	146,336	174,451	209,154	248,890
Total costs from related parties	**146,336**	**174,451**	**209,154**	**248,890**

15. 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 unaudited condensed interim 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 unaudited condensed interim 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 six months ended June 30, 2021, the Company issued 7,200 common shares (2020 – 1,476,000 common shares) for the vesting of restricted share units ("RSUs").

(iv) On April 18, 2019, the Company entered into a definitive agreement (the "Cannabella Acquisition Agreement") to acquire Carson City Agency Solutions, dba Cannabella ("CCAS"), an operator of an extraction facility and producer of edibles and topicals in Carson City, Nevada. The Company provided notice to CCAS on April 17, 2020 of the termination of the Cannabella Acquisition Agreement, prior to closing of the transaction, which was conditional upon the transfer of CCAS's license to the Company within a specified timeframe. On August 31, 2020, a further agreement was reached whereby CCAS will return 50% of the shares that were issued as part of the purchase consideration (a return to the Company of 370,882 common shares) and will repay $10,000 as settlement of amounts due to the Company for services that had been provided under the Cannabella Acquisition Agreement, in equal monthly instalments, over a 12-month period. On April 9, 2021, CCAS returned 370,882 of the MJardin common shares.

(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.

(Expressed in Canadian dollars, unless otherwise stated)

In accordance with IFRS 2 Share-based Payments, RSUs that were cancelled or expired during the three and six months ended June 30, 2021 and 2020 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, January 1, 2020	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**	**$**	**6.08**
Cancelled or expired	(9,400)		5.25
Balance, June 30, 2021	**866,610**	**$**	**6.09**

For the six months ended June 30, 2021, the Company recorded share-based compensation expense of $nil (2020 - $145,418) for the RSUs as they have fully vested. This expense is included in the share-based compensation line on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

The following table summarizes the outstanding RSUs, vested and unvested, as at June 30, 2021:

Grant Date	Outstanding	Vested	Weighted Average Issue Price ($)	Remaining Life	Expiry Date
	#	#	$	(years)	
November 13, 2018	856,010	856,010	7.79	0.37	November 13, 2021
December 31, 2018	1,200	1,200	5.25	0.50	December 31, 2021
As at June 30, 2021	**866,610**	**857,210**	**6.09**	**0.37**	

(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.

(Expressed in Canadian dollars, unless otherwise stated)

	Options (#)		Weighted Average Exercise Price ($)
Balance, January 1, 2020	2,564,870		7.92
Issued	7,165,705		0.05
Cancelled or expired	(3,075,776)		4.80
Balance, December 31, 2020	**6,654,799**	**$**	**1.32**
Issued	423,000		0.06
Cancelled or expired	(809,634)		0.48
Balance, June 30, 2021	**6,268,165**	**$**	**1.34**

For the six months ended June 30, 2021, the Company recorded share-based compensation of $929,320 (2020 - $1,054,836) for options. This expense is included in the share-based compensation line on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

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

Options issued	**June 30, 2021**	**December 31, 2020**
Risk-free annual interest rate (i)	2.27%	1.46% - 1.60%
Expected annual dividend yield	-	-
Expected share price volatility (ii)	111.02%	111.02% - 112.36%
Expected life of options (years) (iii)	3	3 - 4
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 June 30, 2021:

Grant Date	**Outstanding #**	**Exercisable #**	**Exercise Price $**	**Remaining Life (years)**	**Expiry Date**
November 13, 2018	163,999	163,999	12.00	1.37	November 13, 2022
December 3, 2018	80,340	80,340	6.67	1.43	December 3, 2022
September 30, 2020	5,150,491	3,280,942	0.05	3.25	September 30, 2024
October 7, 2020	45,000	23,906	0.07	2.27	October 7, 2023
May 26, 2021	423,000	105,750	0.06	2.91	May 26, 2024
As at June 30, 2021	**6,268,165**	**3,654,937**	**1.34**	**2.94**	

(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, 2020	2,119,348	$	4.15
Expired	(124,128)		1.65
Balance, June 30, 2021	**1,995,220**	**$**	**4.30**

The following table summarizes the warrants outstanding as at June 30, 2021:

(Expressed in Canadian dollars, unless otherwise stated)

Grant Date	Converted to MJardin Units	Exercise Price	Expiry Date	Fair Value at Grant Date
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 June 30, 2021	**1,995,220**	**4.30**		**8,166,929**

(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 11,172,189 common shares of the Company with the conversion of all issued and outstanding common shares.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

	June 30, 2021	December 31, 2020
	$	$
Balance at the beginning of the period	3,024,547	1,321,154
Gain on foreign currency translation adjustment, unrealized	1,404,818	1,741,792
Gain (loss) on change in fair value of investment, unrealized (Note 9)	2,904	(38,399)
Balance at the end of the period	**4,432,269**	**3,024,547**

17. REVENUES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Management fees	38,278	1,640,427	60,287	3,635,552
License fees	-	277,516	37,980	304,414
Lease income	135,380	161,097	274,952	317,439
Interest income (a)	22,252	25,974	97,517	51,191
Revenue from cannabis produced	922,859	-	2,002,286	-
Total	**1,118,769**	**2,105,015**	**2,473,022**	**4,308,597**

(a) Starting 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. During the three and six months ended June 30, 2021, the Company did not recognize interest income in the amounts of $810,371 and $1,620,743, respectively. This was the same interest income amount not recognized during the three and six months ended June 30, 2020 as well.

Significant customers are considered to have sales greater than 10% of the Company's revenue during the period. For the three and six months ended June 30, 2021, there were five and six significant customers who represented 86% and 90% of the Company's revenue, respectively, whereas there being one significant customer who represented 79% and 70% of the Company's revenue for the same periods in 2020.

(Expressed in Canadian dollars, unless otherwise stated)

18. SALES, GENERAL AND ADMINISTRATIVE

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Payroll and benefits	1,303,706	2,074,651	2,036,351	4,019,956
Canada emergency wage subsidy	(232,290)	-	(974,907)	-
Professional and consulting fees	584,640	1,157,747	945,017	2,351,713
IT costs	88,269	18,858	180,075	107,700
Office leases	112,041	112,366	226,261	190,002
Travel	2,499	8,962	4,737	48,560
Insurance	254,339	193,480	574,631	487,323
Investor relations and marketing	82,165	51,985	143,777	65,842
Other general & administrative	95,028	73,289	201,381	251,012
Total	**2,290,397**	**3,691,338**	**3,337,323**	**7,522,108**

19. INTEREST EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Long-term debt (Note 12)	5,391,821	3,816,027	9,892,014	7,610,297
Promissory notes payable (Note 11)	193,567	166,243	363,315	460,833
Finance lease (Note 13)	37,256	44,268	76,419	89,441
Total	**5,622,644**	**4,026,538**	**10,331,748**	**8,160,571**

20. INCOME TAX

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
		$		**$**
Net loss before tax	(9,272,729)	(8,587,708)	(12,239,268)	(14,962,423)
Statutory tax rate	26.5%	26.5%	26.5%	26.5%
Expected income tax recovery	(2,457,273)	(2,275,743)	(3,243,406)	(3,965,042)
Differences in tax rates	15,008	507,365	169,389	884,419
Permanent non-deductible differences	1,203,259	539,440	1,339,797	1,949,107
Changes in tax benefits not recognized	1,125,668	1,866,052	1,690,168	2,249,443
Total	**(113,338)**	**637,115**	**(44,052)**	**1,117,927**
Current income tax (recovery) expense	(107,383)	600,271	(19,049)	654,105
Deferred income tax (recovery) expense	(5,955)	36,844	(25,003)	463,822
Total income tax (recovery) expense	**(113,338)**	**637,115**	**(44,052)**	**1,117,927**

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.

(Expressed in Canadian dollars, unless otherwise stated)

The following table summarizes the components of deferred tax liabilities:

	June 30, 2021	**December 31, 2020**
Non-capital losses carried forward	1,310,543	2,194,753
Property, plant and equipment	(436,466)	(448,369)
Inventory	(248,675)	(1,088,173)
Investments	(892,584)	(916,926)
Other	(217,131)	(282,858)
Deferred tax liabilities	**(484,313)**	**(541,573)**

21. LOSS PER SHARE

As the Company incurred net losses for the three and six months ended June 30, 2021 and 2020, 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 options, RSUs, and warrants are anti-dilutive as at June 30, 2021 and 2020, diluted loss per share does not differ from basic loss per share. For the three and six months ended June 30, 2021, the impact of 6,268,165 outstanding options, 866,610 outstanding RSUs, and 1,995,220 outstanding warrants are not included in the calculation of diluted loss per share (2020 – 2,309,579 outstanding options, 1,990,900 outstanding RSUs, and 2,271,100 outstanding warrants).

22. COMMITMENTS AND CONTINGENCIES

The Company does not have any material commitments other than those previously disclosed in these condensed interim consolidated statements of financial position. The table in Note 23 b) summarizes the amounts and maturity dates of the Company's contractual obligations as at June 30, 2021.

The Company is subject to certain claims and potential claims. The Company does not expect any of these, individually or in the aggregate, to have a material adverse effect on 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 condensed interim consolidated statements of financial position.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Value Hierarchy

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

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

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(Expressed in Canadian dollars, unless otherwise stated)

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

$	Level 1	Level 2	Level 3	**Total**
As at June 30, 2021				
Investment in DNA Genetics	-	-	1,913,005	1,913,005
As at December 31, 2020				
Investment in DNA Genetics	-	-	1,910,101	1,910,101

(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 as at June 30, 2021, an expected credit loss amount of $682,486 (December 31, 2020 – $739,314) was recorded consistent with Note 4. 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 condensed interim consolidated statements of financial position date. As at June 30, 2021 and December 31, 2020, the Company's maximum percentage exposure to credit risk is represented by its largest customer in dollar value. This amounts to 48% and 46%, respectively, of consolidated accounts receivable. As at June 30, 2021 and December 31, 2020, the Company's maximum dollar value exposure to credit risk is $3,018,529 and $10,163,990, 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 condensed interim 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 debt financing or equity raises. The Company monitors cash on a regular basis and reviews expenses and overhead to ensure costs and commitments are being paid in a timely manner. Management has worked with and negotiated with vendors to ensure payment arrangements are satisfactory to all parties and that monthly cash commitments are managed within the Company's operating cash flow capabilities.

During the three months ended June 30, 2021, the Ontario Superior Court of Justice appointed PricewaterhouseCoopers Inc. as receiver ("Receiver") and manager over the assets, undertakings, and properties of the Company's senior lender. Since then, the Company has been in contact with the Receiver regarding the loan agreements. The Company and the Receiver then entered into additional waivers with respect to the loan agreements and the maturity date for the principal balance, including interest payable thereon, was extended to November 30, 2022. Pursuant to the additional waivers, the Company is no longer required to assess compliance with the financial covenants until November 30, 2022 and the principal balance, including interest payable thereon, is due November 30, 2022.

As at June 30, 2021, the Company had a cash balance of $968,505. The following table summarizes the amounts and maturity dates of the Company's contractual obligations as at June 30, 2021:

	Within 1 year	**2 to 5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	11,412,640	-	-	11,412,640
Due to related parties	265,270	-	-	265,270
Income taxes payable	14,914,586	-	-	14,914,586
Promissory notes payable	6,631,844	2,711,241	-	9,343,085
Finance leases	410,715	1,747,374	1,017,718	3,175,807
Long-term debt	-	161,254,287	-	161,254,287
Total	**33,635,055**	**165,712,902**	**1,017,718**	**200,365,675**

(Expressed in Canadian dollars, unless otherwise stated)

(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 June 30, 2021, 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)			
	June 2021		June 2020	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
USD/CAD	$ (359,434)	$ 359,434	$ (299,144)	$ 299,144

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)			
	June 2021		June 2020	
	-100 bps	+ 100 bps	- 100 bps	+ 100 bps
BNS Prime rate	$ 478,207	$ (482,563)	$ 388,224	$ (391,760)

24. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of items included in equity and debt, net of cash. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. The Company was subject to certain covenant requirements related to its debt facilities up until December 31, 2020. See Note 12 c) for more information.

25. NON-CONTROLLING INTEREST

Non-controlling interest represents the ownership interest by third parties in **Highgrade MMJ Corporation** ("GRO"), which is a business that is controlled and consolidated by the Company.

(Expressed in Canadian dollars, unless otherwise stated)

	$
Balance, January 1, 2020	**3,734,102**
Portion of net loss at 24.49%	12,101
Balance, December 31, 2020	**3,746,203**
Portion of net loss at 24.49%	297,754
Balance, June 30, 2021	**4,043,957**

26. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2021	**2020**
	$	**$**
Accounts receivable	6,161,358	1,898,629
Due from related parties	(200,473)	1,400,585
Biological assets	760,928	(503,481)
Inventory	(2,920,567)	(476,951)
Prepaid expense and other assets	684,052	(641,124)
Accounts payable and accrued liabilities	1,924,684	5,087,968
Income taxes payable	(438,997)	654,105
Due to related parties	(88,649)	169,379
Total changes in working capital	**5,882,336**	**7,589,110**

	Six months ended June 30,	
	2021	**2020**
	$	**$**
Net earnings from equity investment (Note 9)	(3,935,936)	(1,612,129)
Loss (gain) on loan modifications (Note 12)	1,264,065	(754,122)
Loss from discontinued operations	-	4,529,340
Other	(137,576)	384,502
Total add-back for non-cash (gain) loss	**(2,809,447)**	**2,547,591**

27. SUBSEQUENT EVENTS

(a) Suspension of activities at the Warman facility

On July 12, 2021, the Company placed Warman into care and maintenance until further notice. The Company will keep the facility's Health Canada licensing in place and retains the option, at the Company's sole discretion, to take the facility out of care and maintenance or if circumstances require, completely shut down Warman. The suspension of ongoing construction and certain business activities at Warman required the Company to terminate 17 employees in Canada and the United States and will enable the Company to preserve cashflow, while it facilitates the SISP. The Company remains in constant dialogue with its business partners at Warman as it works to identify potential transactions in respect of the facility.

(b) Launch of the Sales and Investment Solicitation Process (SISP) for both Canadian and US assets

On July 12, 2021, further to the Company's April 30, 2021 press release announcing the formation of a special committee of independent members of the board of directors (the "Special Committee"), the Special Committee has recommended that the Company conduct a formal and wide-ranging SISP in order to identify all potential options to maximize value for all of the Company's stakeholders. In response, Restructur Advisors with the Company's management team commenced the SISP on or about July 12, 2021, seeking expressions of interest, in any combination, in respect of the Company, its assets, and the Company's CSE listing. The data and diligence phase of the SISP is expected to conclude on August 12, 2021.

(c) Flint & Embers product line enters the Ontario market

On July 20, 2021, the Company successfully shipped its first orders of its flagship brand, Flint & Embers, to the Ontario Cannabis Store ("OCS") for retail sale. The OCS is Ontario's only legal online retailer and is responsible for the wholesale distribution of recreational cannabis products to private retailers in the province. The Company expects its Flint & Embers products to be available for purchase from private cannabis retailers throughout Ontario as well as online through the OCS.