RMMI CORP.

Condensed Interim Consolidated Financial Statements
For the Three-Month and Nine-Month Periods Ended September 30, 2020 and 2019
(unaudited)
(In Canadian dollars)

NOTICE TO READER

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

The accompanying unaudited interim 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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

RMMI Corp.
Condensed Interim Consolidated Statements of Financial Position

		As at Sept. 30, 2020 (unaudited)		As at December 31, 2019 (audited)
Assets				
Current Assets				
Cash	$	**551,392**	$	466,733
Other receivables (Note 3)		**198,198**		6,102
Prepaid expenses		**113,606**		11,281
Total Current Assets		**863,196**		484,116
Non-Current Assets				
Property, plant and equipment (Note 4)		**6,690,282**		6,587,619
Deposits (Note 4)		**-**		348,715
Right-of-use asset (Note 5)		**-**		16,564
Total Assets	$	**7,553,478**	$	7,437,014
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	**505,168**	$	198,670
Secured notes (Note 7)		**1,500,000**		1,000,000
Lease obligation liability (Note 6)		**-**		20,699
Total Current Liabilities		**2,005,168**		1,219,369
Long Term Liabilities				
Canada Emergency Business Account (“CEBA”) Loan (Note 8)		**40,000**		-
Total Liabilities		**2,045,168**		1,219,369
Shareholders' Equity				
Share capital (Note 9)		**7,853,609**		7,031,953
Subscriptions received in advance		**281,251**		-
Warrants (Note 9)		**779,012**		855,091
Contributed surplus		**2,917,541**		1,974,962
Deficit		**(6,323,103)**		(3,644,361)
Total Shareholders’ Equity		**5,508,310**		6,217,645
Total Liabilities and Shareholders’ Equity	$	**7,553,478**	$	7,437,014

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)
Commitments and contingencies (Note 14)

Approved on behalf of the Board of Directors:

Signed “Dave Guebert”
Director

Signed “Eugene Chen”
Director

The accompanying notes are an integral part of these unaudited condensed interim financial statements

RMMI Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three-month and nine-month periods ended September 30, 2020 and 2019
(unaudited)

	For the three-month periods ended Sept. 30		For the nine-month periods ended Sept. 30	
	2020	**2019**	**2020**	**2019**
Expenses				
General and administration	**$285,997**	$250,279	**$721,415**	$849,004
Interest and financing costs (Note 7)	**375,000**	55,600	**793,948**	55,600
Lease finance expense	**-**	658	**440**	2,405
Transaction costs	**615,646**	-	**1,020,110**	-
Depreciation (Notes 4 & 5)	**5,790**	14,255	**35,829**	42,557
Impairment (Note 4)	**-**	-	**70,000**	-
Share based compensation (Note 10)	**8,000**	50,000	**37,000**	119,615
Total Expense	**1,290,433**	370,792	**2,678,742**	1,069,181
Net Loss and comprehensive loss	**$1,290,433**	$370,792	**$2,678,742**	$1,069,181
Net loss per share:				
Basic and diluted (Note 11)	**$0.08**	$0.03	**$0.18**	$0.08

The accompanying notes are an integral part of these unaudited condensed interim financial statements

RMMI Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
(In Canadian dollars, except the number of shares and warrants)

	Number of Shares	Number of Warrants	Share Capital	Subscriptions Received in Advance	Warrants	Contributed Surplus	Deficit	Shareholders' Equity
Balance December 31, 2019	13,577,628	2,015,256	$ 7,031,953	$ -	$ 855,091	$ 1,974,962	$ (3,644,361)	$ 6,217,645
Share based compensation (Note 10)	-	-	-	-	-	37,000	-	37,000
Warrant extension (Note 9)	-	-	(329,500)	-	(322,714)	652,214	-	-
Warrants issued to secured note holders (Note 9)	-	1,500,000	-	-	375,000	-	-	375,000
Warrants issued to financial advisor (Note 9)	-	500,000	-	-	125,000	-	-	125,000
Broker warrant expiry (Note 9)	-	(141,256)	-	-	(253,365)	253,365	-	-
Private placement of common shares (Note 9)	3,349,709	-	753,685	-	-	-	-	753,685
Subscriptions received in advance				281,251				281,251
Common shares issued for services (Note 9)	1,880,000	-	450,900	-	-	-	-	450,900
Share issue costs (Note 9)	-	-	(53,429)	-	-	-	-	(53,429)
Net loss and comprehensive loss	-	-	-	-	-	-	(2,678,742)	(2,678,742)
Balance Sept. 30, 2020	**18,807,337**	**3,874,000**	**$ 7,853,609**	**281,251**	**$ 779,012**	**$ 2,917,541**	**$ (6,323,103)**	**$ 5,508,310**

	Number of Shares	Number of Warrants	Share Capital	Warrants	Contributed Surplus	Deficit	Shareholders' Equity
Balance December 31, 2018	13,548,928	2,184,546	$ 7,665,709	$ 1,525,508	$ 526,339	$ (2,262,502)	$ 7,455,054
Broker warrant exercises (Note 9)	3,700	(3,700)	6,405	(2,705)	-	-	3,700
Option exercises (Note 10)	25,000	-	12,053	-	(5,803)	-	6,250
Warrant expiries (Note 9)	-	(165,590)	-	(121,051)	121,051	-	-
Warrant extension (Note 9)	-	-	(966,587)	966,587	-	-	-
Share based compensation (Note 10)	-	-	-	-	119,615	-	119,615
Net loss and comprehensive loss	-	-	-	-	-	(1,069,181)	(1,069,181)
Balance September 30, 2019	**13,577,628**	**2,015,256**	**$ 6,717,580**	**$ 2,368,339**	**$ 761,202**	**$ (3,331,683)**	**$ 6,515,438**

The accompanying notes are an integral part of these unaudited condensed interim financial statements

RMMI Corp.
Condensed Interim Statements of Cash Flows
For the nine-month period ended September 30, 2020 and 2019
(unaudited)

	For the nine-month periods ended Sept. 30	
	2020	**2019**
Operating		
Net loss	**$(2,678,742)**	$(1,069,181)
Items not affecting cash:		
Depreciation (Notes 4 & 5)	**35,829**	42,557
Share based compensation (Note 10)	**37,000**	119,615
Impairment (Note 4)	**70,000**	-
Non-cash transaction costs	**652,870**	-
Non-cash interest and financing costs	**375,000**	-
Non-cash general and administration	**68,400**	-
Change in non-cash working capital (Note 15)	**722,542**	(87,109)
Net cash used in operating activities	**(717,101)**	(994,118)
Investing		
Additions to property, plant and equipment (Note 4)	**(191,928)**	(4,875,650)
Deposits	**-**	80,889
Change in non-cash working capital (Note 15)	**755**	497,961
Net cash used in investing activities	**(191,173)**	(4,296,800)
Financing		
Private placement subscriptions received in advance	**281,251**	-
Gross proceeds from private placement (Note 9)	**753,685**	-
Share issue costs (Note 9)	**(53,429)**	
Proceeds from warrant exercise (Note 9)	**-**	3,700
Proceeds from option exercise (Note 10)	**-**	6,250
Proceeds from secured note financing (Note 7)	**-**	1,000,000
Proceeds from CEBA loan (Note 8)	**40,000**	-
Repayment of lease liability (Note 6)	**(20,699)**	(22,262)
Change in non-cash working capital (Note 15)	**(7,875)**	(4,036)
Net cash provided by financing activities	**992,933**	983,652
Net increase in/(use of) cash	**84,659**	(4,307,266)
Cash, beginning of period	**466,733**	5,376,054
Cash, end of period	**$551,392**	$1,068,788

The accompanying notes are an integral part of these unaudited condensed interim financial statements

1. REPORTING ENTITY

RMMI Corp. (the "Company" or "RMMI") was incorporated under the Business Corporations Act (Alberta) on February 6, 2018. The registered office is located at Suite 500, 707 - 5 Street SW, Calgary, Alberta, T2P 0Y3. RMMI completed its initial public offering on September 24, 2018 and became a listed entity on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "RMMI". The shares of RMMI commenced trading on CSE on September 25, 2018.

On April 1, 2018, the Company issued 11,779,700 common shares of RMMI Corp. in exchange for all of the issued and outstanding shares (the "Transaction") of Rocky Mountain Marijuana Inc. ("RM"). For accounting purposes, the Transaction was treated as a reverse acquisition with RM being the accounting acquirer. Therefore, the Company's historical financial statements reflect those of RM. Prior to the Transaction, RMMI had no business operations or activities.

On October 11, 2019, RM received its cannabis cultivation, processing and medical sales licence from Health Canada under Canada's Cannabis Act and Regulations ("Cannabis Act"). The Company owns a facility in Newell County, Alberta (the "RMMI Property") which has been renovated as a cannabis facility, with some interior construction and utility installation remaining. On June 2, 2020, RMMI announced an intention to re-focus RMMI's operations to hemp and production of high quality and high purity CBD products (the "Strategic Shift"). On June 19, 2020, RMMI progressed the Strategic Shift by entering into a hemp purchase agreement with Clearwater CannGrow Ltd. ("Clearwater") whereby RMMI would purchase 136,077 kg of high CBD content hemp from Clearwater. On September 4, 2020, RMMI terminated the Clearwater hemp purchase agreement and all other business relationships with Clearwater and its principal shareholder. In the process of entering into a business relationship with Clearwater, RMMI had issued 9,111,112 RMMI common shares to Clearwater and subsequently cancelled all these shares effective the date of original issuance. On October 14, 2020, RMMI entered into strategic partnership and contribution of premium high-CBD hemp with SynerGenetics Bioscience Inc. ("SG") (the "SG Transaction"), a leading plant genetics technology company focused on the development of novel hemp strains with high-CBD content and other hemp-derived cannabinoid cultivars. In connection with the SG Transaction, RMMI entered into a purchase agreement for the purchase of up to 1,000,000 kilograms of premium high-CBD hemp flower and biomass from SG and entered into a definitive strategic alliance agreement which provides RMMI with exclusivity over SG's high-CBD genetics in Canada and assumption of its hemp CBD flower, biomass and concentrate business globally.

The Company is in the development stage and has not commenced commercial operations or generated any revenue. Commencement of operations depends on obtaining adequate financing to become operational. During the nine months ended September 30, 2020, the Company incurred a net loss and comprehensive loss of $2,678,742 (nine months ended September 30, 2019 - $1,069,181) and utilized cash in operating activities of $717,101 (nine months ended September 30, 2019 - $994,118). The Company's working capital deficit was $1,141,972 at September 30, 2020 (December 31, 2019 - $735,253). In the past the Company has been successful in raising capital to fund development however there is no guarantee of future success. The Company's secured noteholders have agreed to a restructuring of the secured notes whereby the principal amount of the notes plus all accrued and unpaid interest and fees at June 30, 2020 have been converted into a $1,500,000 principal amount loan repayable over a one-year period starting October 2020 (Note 7).

The Company has incurred operating losses since inception and requires funds to meet its overhead and to commence commercial operations. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Management continues to pursue additional capital to provide additional liquidity and reduce the potential impact of operational risks to its going concern.

1. REPORTING ENTITY (Continued)

If for any reason the Company is unable to continue as a going concern, then this could impact the Company's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the condensed consolidated interim financial statements. These interim condensed unaudited consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These unaudited condensed interim financial statements ("interim financial statement") have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim consolidated financial statements contain disclosures that are supplemental to the Company's annual audited consolidated financial statements, following the same accounting policies as the audited consolidated financial statements of the Company as of December 31, 2019. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2019.

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

These interim financial statements were approved and authorized for issuance by the Board of Directors on November 25, 2020.

(b) Use of judgments and estimates

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

(c) Significant accounting policies

Please refer to the December 31, 2019 audited financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's December 31, 2019 financial statements were consistently applied to these unaudited interim financial statements.

(In Canadian dollars, unless otherwise stated)

3. OTHER RECEIVABLES

Other receivables are comprised of:

	Sept. 30, 2020	December 31, 2019
Vendor deposit refund	$170,220	$ -
Goods and service tax (GST) receivable	20,103	6,102
Subscription receivable	7,875	-
Total	**$198,198**	**$6,102**

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Furniture & equipment	Buildings & improvements	Land	Total
Cost				
At December 31, 2019	$ 128,540	$ 6,236,136	$ 259,000	$ 6,623,676
Impairment	(25,000)	(45,000)	-	(70,000)
Additions	59,231	132,697	-	191,928
At Sept. 30, 2020	162,771	6,323,833	259,000	6,745,604
Accumulated depreciation				
At December 31, 2019	$ 13,571	$ 22,486	$ -	$ 36,057
Depreciation for the period	7,865	11,400	-	19,265
At Sept. 30, 2020	21,436	33,886	-	55,322
Net book value				
At December 31, 2019	$ 114,969	$ 6,213,650	$ 259,000	$6,587,619
At Sept. 30, 2020	**$ 141,335**	**$ 6,289,947**	**$ 259,000**	**$6,690,282**

In January 2018, the Company acquired land and buildings in Newell County, Alberta for $1,025,000. This amount includes $125,000 of deposits that were paid at December 31, 2017. The Company incurred other directly attributable costs totaling $9,556 in connection with the acquisition of land and building. The purchase price was allocated to land and buildings based on a third-party appraisal report. The buildings include two warehouse facilities which were expected to be retrofitted as the Company's cannabis facilities. The main building is now being completed for hemp processing operations. The renovations previously completed for cultivation activities are being substantially retained. A portion of the smaller of the two warehouse facilities was put in use in 2019 for the Company's hemp cultivation testing program and is subject to depreciation.

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the nine months ended September 30, 2020, the Company incurred $132,697 (nine months ended September 30, 2019 - $4,798,442) of costs related to the retrofit of the Newell property. These expenses primarily relate to construction (2019 - primarily relate to design, engineering, construction and project management). The majority of the buildings and improvements are not considered available for use and are not subject to depreciation.

During the nine months ended September 30, 2020, the Company purchased cannabis equipment totaling $59,231 (nine months ended September 30, 2019 – $77,208 mostly for cannabis operations).

The Strategic Shift has resulted in impairment being assessed on some of the Company’s property, plant and equipment. Cannabis cultivation equipment has been impaired $25,000 to reflect estimated fair value. Buildings and improvements have been impaired $45,000 to eliminate the remaining net book value related to the leasehold improvements for the hemp cultivation testing program.

The Company had placed deposits on certain long lead-time equipment necessary for cannabis cultivation equipment (December 31, 2019 – $348,715). With the Strategic Shift, $145,370 of these deposits are not expected to be recoverable and have been expensed as transaction costs. The remaining deposit balance of $203,345 is expected to be recoverable from one vendor and was reclassified as other receivables ($170,220 still receivable at September 30, 2020) (Note 3).

(In Canadian dollars, unless otherwise stated)

5. RIGHT-OF-USE ASSET

Right of use asset consist of the following:

		Office lease
Cost		
At December 31, 2019	$	49,664
Additions		-
At Sept. 30, 2020		49,664
Accumulated depreciation		
At December 31, 2019	$	33,100
Depreciation for the period		16,564
At Sept. 30, 2020		49,664
Net book value		
At December 31, 2019	$	16,564
At Sept. 30, 2020		**$-**

6. LEASE OBLIGATION LIABILITY

	Amount
At December 31, 2019	$20,699
Repayments in the period	20,699
At Sept. 30, 2020	**$-**

The Company had lease liabilities for contracts related to office space with the term ending on June 30, 2020. The Company did not have any lease liabilities as of September 30, 2020.

7. SECURED NOTES

On September 13, 2019, the Company issued secured notes totaling $1,000,000 to fund working capital costs. Certain members of RMMI's executives and board of directors participated in the financing in the collective amount of $425,000. The secured notes carried a 12% per annum interest rate, with an original maturity date of December 31, 2019 and are secured by a fixed charge on all present and after acquired property of the Company until the loan is repaid in full. A 5% facility fee was payable at the original maturity. The secured notes were extended from their original maturity date of December 31, 2019 to May 31, 2020 and 5% extension fees accrued monthly.

On June 30, 2020, the secured note lenders agreed to a restructuring and repayment proposal. The principal amount of the loan plus all accrued and unpaid interest and fees converted into a $1,500,000 new loan. The new loan balance will earn 12% annual interest starting October 1, 2020 and will be repaid monthly based on a standard mortgage repayment schedule with a one-year amortization. Security on the new loan remains the same as the original secured notes. As part of the restructuring and repayment proposal, the Company issued 1,500,000 common share purchase warrants on July 13, 2020 with a $0.255 exercise price and term expiring June 30, 2023 to the secured note lenders. The Black-Scholes option model was used in calculating the fair value of the warrants issued using a nil dividend yield, an interest rate of 0.25% and an expected volatility of 248%. The fair value of these warrants totaled $375,000 and is recognized the profit and loss in Q3 2020 with a corresponding increase to shareholders' equity.

During the three and nine months ended September 30, 2020, interest and fees totaled $375,000 and $793,948 (including the non-cash $375,000 warrant value), respectively and was recognized in the profit and loss. The accrued interest and fees that were previously included in the accounts payable and accrued liabilities were reclassified as secured notes.

8. CANADA EMERGENCY BUSINESS ACCOUNT ("CEBA") LOAN

On April 16, 2020, the Company received a $40,000 CEBA loan from the Government of Canada. The loan is unsecured and interest-free until December 31, 2022, at which time the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the balance of the loan is repaid on or before December 31, 2022, there will be loan forgiveness of 25% or $10,000.

(In Canadian dollars, unless otherwise stated)

9. SHARE AND WARRANT CAPITAL

Authorized: an unlimited number of voting common shares, no par value
an unlimited number of preferred shares, no par value

Shares and warrants issued:

	Common shares		Warrants		
	Number of shares	**Amount**	**Number of warrants**	**Number of broker warrants**	**Amount**
Balance December 31, 2019	**13,577,628**	**$ 7,031,953**	**1,874,000**	**141,256**	**$ 855,091**
Warrant extension *(i)*	-	(329,500)	-	-	(322,714)
Broker warrants expired *(ii)*	-	-	-	(141,256)	(253,365)
Warrants issued *(ii)*	-	-	2,000,000	-	500,000
Private placement *(iii)*	3,349,709	753,685	-	-	-
Share issue costs *(iii)*	-	(53,429)	-	-	-
Financial advisory fee *(iv)*	1,700,000	382,500	-	-	-
Fee for service *(v)*	180,000	68,400	-	-	-
Balance Sept. 30, 2020	**18,807,337**	**$ 7,853,609**	**3,874,000**	**-**	**$ 779,012**
Balance December 31, 2018	**13,548,928**	**$ 7,665,709**	**1,874,000**	**310,546**	**$ 1,525,508**
Options exercised *(Note 8)*	25,000	12,053	-	-	-
Broker warrants exercised (*ii*)	3,700	6,405	-	(3,700)	(2,705)
Warrant extension *(iii)*	-	(966,587)	-	-	966,587
Warrants expired *(iv)*	-	-	-	(165,590)	(121,051)
Balance Sept. 30, 2019	**13,577,628**	**6,717,580**	**1,874,000**	**141,256**	**2,368,339**

(i) On June 2, 2020, the Company extended 1,874,000 warrants scheduled to expire on June 30, 2020 until June 30, 2021. No other terms of the warrants were changed. The Black-Scholes option model was used in calculating the fair value of the warrant expiry extension using a nil dividend yield, an interest rate of 0.27% and an expected volatility of 243%. The fair market value of the warrant extension was $329,500. The fair value of the warrants extension was recorded to share issue costs as these warrants are related to warrants issued on the exercise of previously issued warrants. The fair value of these warrants that were previously recorded upon initial recognition totalling $652,214 was derecognized and credited to Contributed Surplus.

(ii) In the nine months ended September 30, 2020, 141,256 broker warrants expired. The fair value of the warrants at time of grant of $253,365 was transferred from warrant capital to contributed surplus.

9. SHARE AND WARRANT CAPITAL (Continued)

(iii) On July 13, 2020, 1,500,000 warrants were issued to secured note holders in partial compensation for their acceptance of a restructuring and repayment proposal and 500,000 warrants were issued to the Company's financial advisor. The secure note holders' warrants have a $0.255 exercise price and expire June 30, 2023. The financial advisor warrants have a $0.26 exercise price and expire July 13, 2023. The Black-Scholes option model was used in calculating the fair value of the issued warrants using a nil dividend yield, an interest rate of 0.25% and an expected volatility of 248%. The fair market value of the secured note restructuring warrants was $375,000 and recognized in interest and financing costs. The fair value of the financial advisory warrants was $125,000 and recorded in transaction costs. $500,000 was credited to Contributed Surplus.

(iv) On August 28, 2020, the Company closed on a private placement of common shares and issued 3,349,709 common shares at $0.225 per share for gross proceeds of $753,685. The Company paid an 8% cash finders' fee totalling $53,429 to certain third-party finders.

(v) In Q3 2020, the Company issued 1,700,000 common shares to a financial advisor for financial advisory services. The fair value of this non-cash compensation was determined based on the fair value of the common shares issued. The fair value of the common shares was determined with be $0.225 per common share which was the price of an announced private placement of common shares by the Company. $382,500 was recorded as a transaction cost.

(vi) The Company entered into a Capital Markets Advisory and Management Services Agreement ("Advisory and Services Agreement") effective June 1, 2020 with Eugene Chen Professional Corporation, a corporation controlled by a director of the Company. The Advisory and Services Agreement calls for monthly advisory fee of 45,000 RMMI common shares until its expiration on December 31, 2020. The term of the Advisory and Services Agreement can be terminated before December 31, 2020 with mutual consent of both parties. This share-based transaction with a corporation controlled by a director of the Company is measured with reference to the fair value of the common shares granted. The fair value of the common shares was based on RMMI's share price at the date of each issuance of RMMI's common shares.

(vii) In the nine months ended September 30, 2019, 3,700 broker warrants were exercised for gross proceeds of $3,700. The original fair market value of the exercised warrants of $2,705 was transferred from warrant capital to share capital.

(viii) On May 7, 2019, the Company approved the extension of 1,874,000 warrants scheduled to expire on June 30, 2019 until June 30, 2020. No other terms of the warrants were changed. The Black-Scholes option model was used in calculating the fair value of the warrant expiry extension using a nil dividend yield, an interest rate of 1.62% and an expected volatility of 155%. The fair market value of the warrant extension was $966,587. The fair value of the warrants extension was recorded to share issue costs as these warrants are related to warrants issued on the exercise of previously issued warrants. The fair value of these warrants that were previously recorded upon initial recognition totalling $1,198,875 was derecognized and credited to Contributed Surplus.

(ix) In the nine months ended September 30, 2019, 165,590 broker warrants expired. The fair value of the warrants at time of grant of $121,051 was transferred from warrant capital to contributed surplus.

(In Canadian dollars, unless otherwise stated)

9. SHARE AND WARRANT CAPITAL (Continued)

The following summarizes warrant transactions for the nine months ended September 30, 2020 and 2019:

	2020		2019	
	Number of warrants	**Weighted average price**	**Number of warrants**	**Weighted average price**
Beginning of year	2,015,256	$1.34	2,184,546	$1.31
Broker warrants exercised	-	-	(3,700)	$1.00
Broker warrants expired	(141,256)	$2.50	(165,590)	$1.00
Warrants issued	2,000,000	$0.26	-	-
Balance Sept. 30	**3,874,000**	**$0.74**	**2,015,256**	**$1.34**

Outstanding warrants at September 30, 2020 were as follows:

	Warrants	**Weighted average prices**	**Weighted average years to expiry**
Warrants	1,874,000	$1.25	0.7
Secured note holder warrants	1,500,000	$0.255	2.7
Financial advisor warrants	500,000	$0.26	2.8
Balance Sept. 30, 2020	**3,874,000**	**$0.74**	**1.8**

Outstanding warrants at September 30, 2019 were as follows:

	Warrants	**Weighted average prices**	**Weighted average years to expiry**
Broker warrants	141,256	$2.50	1.0
Warrants	1,874,000	$1.25	0.8
Balance Sept. 30, 2019	**2,015,256**	**$1.34**	**0.8**

Escrowed securities:

Pursuant to an escrow agreement dated June 24, 2018, 1,826,668 common shares of the Company were deposited into escrow with respect to the Company's initial public offering. In addition, 216,668 warrants at $1.25 per share expiring September 30, 2021 and 985,000 stock options with exercise prices of $0.25 and $1.00 per share expiring March 31, 2022 and March 5, 2023 respectively, were also subject to the escrow agreement. Under the escrow agreement, 10% of the escrowed common shares were released from escrow on September 24, 2018, the date of closing of the Company's initial public offering, and 15% will be released every six months thereafter over a period of 36 months. As of September 30, 2020, 548,002 (September 30, 2019 - 1,096,002) common shares remain in escrow.

(In Canadian dollars, unless otherwise stated)

10. SHARE BASED COMPENSATION

The following summarizes information about stock options outstanding as at September 30, 2020 and 2019:

	For the nine months ended Sept. 30, 2020		For the nine months ended Sept. 30, 2019	
	Number of options	Weighted average price	Number of options	Weighted average price
Beginning of year	1,030,000	$0.61	1,137,500	$0.66
Options forfeited and expired	(25,000)	$1.56	(70,000)	$1.30
Options exercised	-	-	(25,000)	$0.25
End of the period	**1,005,000**	**$0.59**	**1,042,500**	**$0.62**

The following table summarizes information about the share options outstanding and exercisable as at September 30, 2020:

Options outstanding				Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25	550,000	1.5	$0.25	550,000	$0.25
$1.00	455,000	2.4	$1.00	397,500	$1.00
-	1,005,000	1.9	$0.59	947,500	$0.54

The following table summarizes information about the share options outstanding and exercisable as at September 30, 2019:

Options outstanding				Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25	550,000	2.5	$0.25	455,000	$0.25
$1.00	455,000	3.4	$1.00	235,000	$1.00
$1.56	37,500	4.2	$1.56	18,750	$1.56
-	1,042,500	3.0	$0.66	708,750	$0.53

10. SHARE BASED COMPENSATION (Continued)

During the three and nine months ended September 30, 2020 and 2019, the Company did not issue any options. The share-based compensation expense recognized during the three and nine months ended September 30, 2020 was $8,000 and $37,000, respectively (three and nine months ended September 30 2019 - $50,000 and $119,615, respectively). During the nine months ended September 30, 2020, NIL options were exercised. During the nine months ended September 30, 2019, 25,000 options were exercised for gross proceeds of $6,250. The original fair market value of the exercised options of $5,803 was transferred from contributed surplus to share capital.

11. NET LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2020 was based on the loss attributable to common shareholders of $1,290,433 and $2,678,742, respectively (three and nine months ended September 30, 2019 – $370,792 and $1,069,181, respectively) and the weighted average number of common shares outstanding of 16,471,002 and 14,549,126, respectively (three and nine months ended September 30, 2019 – 13,577,628 and 13,574,915, respectively).

Share options and warrants were anti-dilutive during the three and nine months ended September 30, 2020 and 2019.

(In Canadian dollars, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS

Related party transactions are incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties.

The following is a summary of transactions with directors and officers, and companies controlled by directors of the Company. The amounts are measured at the exchange amount which is the fair value of the transactions.

(a) Transactions with related parties

	Nine months ended Sept. 30, 2020	**Nine months ended Sept. 30, 2019**
Legal fees paid or payable to a firm at which a director of the Company is a partner:	$125,125	$65,822

On September 30, 2020, $120,173 (December 31, 2019 - $473) was outstanding to the law firm at which a director of the Company is a partner. This amount is recorded in accounts payable and accrued liabilities.

The Company entered into a Capital Markets Advisory and Management Services Agreement (“Advisory and Services Agreement”) effective June 1, 2020 with Eugene Chen Professional Corporation, a corporation controlled by a director of the Company. The Advisory and Services Agreement calls for monthly advisory fee of 45,000 RMMI common shares until its expiration on December 31, 2020. The term of the Advisory and Services Agreement can be terminated before December 31, 2020 with mutual consent of both parties. This share-based transaction with a corporation controlled by a director of the Company is measured with reference to the fair value of the common shares granted. RMMI recorded an expense of $51,300 and $68,400 in the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 – NIL).

(b) Secured notes

Several officers and directors of the Company participated in the Company’s secured note financing and restructuring and repayment proposal. These related parties are owed their proportionate share of the restructured amount. (Note 7)

13. FINANCIAL RISK MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at September 30, 2020, the Company has $1,500,000 of secured notes outstanding (Note 7). The Company is not subject to externally imposed capital requirements.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and other receivables. All of the Company's cash was held at one financial institution at September 30, 2020, which is a Canadian Chartered Bank. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

The majority of other receivables (Note 3) relates to a vendor deposit refund for $170,220 and a GST receivable outstanding with the Canada Revenue Agency ("CRA") for $20,103. The Company mitigates credit risk associated with the Vendor deposit refund by managing the underlying business relationship and periodically reviewing the vendor's overall credit worthiness. On September 30, 2020, Management has determined no impairment or allowance is required. For GST receivable, the Company deems CRA to be creditworthy and collection of the receivable will occur.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. As at September 30, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities, secured notes and the CEBA loan. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. The Company purchases some equipment that are denominated in United States dollars ("US dollars"). The purchase value of some of the Company's equipment is subject to currency transaction and translation risks.

The Company's main risk is associated with fluctuations in U.S. dollars as the Company holds cash in Canadian dollars and has receivables or commitments in U.S. dollars (Note 14). Assets are translated based on the foreign currency translation policy. The Company has determined that as at September 30, 2020, the Company did not have any U.S. dollar commitments (September 30, 2019 - the effect of a $0.01 increase or decrease in U.S. dollars against the Canadian dollar on commitments would result in an increase or decrease of approximately $3,400). At September 30, 2020, the Company is owed US$127,063 from a vendor for a deposit refund. The effect of a $0.01 increase or decrease in U.S. dollars against the Canadian dollar on receivables would result in an increase or decrease of $1,271 received by the Company.

At September 30, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

14. COMMITMENTS AND CONTINGENCIES

Purchase of property, plant and equipment

In 2018, the Company placed purchase orders with several suppliers in the normal course of business for acquisition of property, plant and equipment related to its Newell facility that had not been supplied or delivered. Certain progress payments had been completed and recorded as Deposits. At September 30, 2020, payments of $28,000 remain outstanding subject to future delivery and construction milestones. At December 31, 2019, payments of $28,000 and US$320,000 were outstanding. Due to the Strategic Shift, the U.S. dollar commitments have been terminated as the commitment to purchase that equipment has been cancelled.

SG hemp purchase and strategic alliance

In connection with the SG Transaction, RMMI entered into a purchase agreement for the purchase of up to 1,000,000 kilograms of premium high-CBD hemp flower and biomass from SG and entered into a definitive strategic alliance agreement which provides RMMI with exclusivity over SG's high-CBD genetics in Canada and assumption of its hemp CBD flower, biomass and concentrate business globally. In consideration for the hemp purchase, RMMI has agreed to issue up to 22,000,000 RMMI common shares of plus a contingent payment of up to $13,600,000 in cash. The common shares shall be issued to SG as the hemp biomass is delivered to RMMI. The $13,600,000 contingent payment is paid out of a portion of RMMI's revenue as the processed and unprocessed hemp biomass is sold. Pursuant to the SG strategic alliance, SG has provided a perpetual exclusive license for its current and future CBD hemp genetics to RMMI in Canada and RMMI is to assume SG's global hemp CBD biomass and concentrates business. In consideration for the Strategic Alliance, RMMI has agreed to issue 3,000,000 Common Shares upon completion of certain milestones, as well as pay SG a cash royalty on the sale of hemp seed sales in Canada.

Contingencies

As of September 30, 2020, the Company was a defendant in a civil claim brought by a former employee and a business related to the former employee for severance obligations and unpaid services. The Company believes that the claims are without merit and intends to vigorously defend itself in each of these claims. The Company believes that it will be successful in defending against these claims and therefore has not recorded any provisions related to these matters.

(In Canadian dollars, unless otherwise stated)

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of:

	Nine months ended September 30, 2020	**Nine months ended September 30, 2019**
Source/(use) of cash:		
Prepaid expenses and other current assets	**$(294,421)**	$(126,790)
Reclassification of interest and fees related to Secured loan restructuring	**500,000**	-
Reclassification of deposits to other receivables (Note 4)	**203,345**	-
Accounts payable and accrued liabilities	**306,498**	533,606
Net change in non-cash working capital	**$715,422**	$(406,816)
Operating	**722,542**	(87,109)
Investing	**755**	497,961
Financing	**(7,875)**	(4,036)
Total	**$715,422**	$(406,816)

16. SUBSEQUENT EVENTS

On October 26, 2020, the Company issued 895,000 options with a $0.26 exercise price to directors and an officer of the Company for share based compensation.

In October 2020, the Company further amended the repayment terms of the secured notes. Due to the termination of the Clearwater hemp purchase agreement on September 4, 2020, RMMI was not able to meet the original terms of the secured note restructuring and repayment proposal which would have required monthly repayments based on a standard mortgage repayment schedule with a one-year amortization (Note 7). The revised repayment terms are still being developed and negotiated with the secured note holders.