

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1. - IDENTITY OF COMPANY

1.1 Name and Address of Company

GABY Inc. ("**GABY**" or the "**Corporation**")
Suite 200 – 209 8th Avenue S.W.
Calgary, Alberta T2P 1B8

1.2 Executive Officer

Margot Micallef
Chief Executive Officer Telephone: 403-313-4645

ITEM 2. - DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On February 15, 2021, the Corporation entered into a definitive agreement (the "**Definitive Agreement**") in respect of a merger (the "**Merger**") with Miramar Professional Services ("**Miramar**"), which operates the Mankind Dispensary, one of the oldest licensed dispensaries in California. A copy of the Definitive Agreement is available on SEDAR under the Corporation's profile at www.sedar.com.

2.2 Acquisition Date

The Merger was completed on April 5, 2021 effective as of April 1, 2021.

2.3 Consideration

The consideration for the acquisition consisted of: (i) the payment of US\$5 million in cash; (ii) the issuance of an aggregate of 157,894,737 common shares of GABY; (iii) guarantees of aggregate principal amount of US\$900,000 in indebtedness, and (iv) the issuance of a secured, non-convertible promissory note in the aggregate amount of US\$25.5 million with interest payable at the rate of 10.0% per annum and with principal repayments of US\$5.0 million due 24 months, 48 months and 72 months after the closing date of the Merger, with a final payment of US\$10.5 million due 84 months thereafter, subject to adjustment in accordance with the terms of the Definitive Agreement.

2.4 Effect on Financial Position

Upon completion of the Merger, Miramar became a wholly-owned subsidiary of the Corporation. The Merger constituted a "fundamental change" pursuant to Policy 8 – Fundamental Changes and Change of Business of the Canadian Securities Exchange.

The Corporation's Form 2A Listing Statement dated April 21, 2021 describes the business of the Corporation following the completion of the Merger and is available on the SEDAR website at www.sedar.com.

2.5 Prior Valuations

To the knowledge of the Corporation, no valuation opinion was obtained within the last 12 months by either the Corporation or Miramar required by securities legislation or a Canadian exchange or market to support the consideration paid by the Corporation for the Miramar Shares.

2.6 Parties to Transaction

The Merger was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of the Corporation.

2.7 Date of Report

June 9, 2021.

ITEM 3. - FINANCIAL STATEMENTS AND OTHER INFORMATION

The financial statements of Miramar as at and for the financial years ended September 30, 2020 and 2019 and the auditors' report thereon are attached at Schedule "A to this Business Acquisition Report.

The unaudited consolidated financial statements of Miramar as at and for the three months ended December 31, 2020 and 2019 are attached at Schedule "B to this Business Acquisition Report.

GABY is relying on such statements pursuant to the exemption in section 8.4(4) of National Instrument 51-102 – *Continuous Disclosure Obligations*, which allows reliance on earlier financial statements when certain conditions have been met.

Forward-Looking Statements

Certain statements contained within this Business Acquisition Report constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "budget", "plan", "endeavor", "continue", "estimate", "evaluate", "expect", "forecast", "monitor", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" and similar expressions. The Corporation believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Without limitation, this Business Acquisition Report contains forward-looking statements pertaining to the Merger. The forward-looking statements and information are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions concerning the business plan of the Corporation and the successful integration of Miramar into the Corporation's operations. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Corporation can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management; risks relating to USA regulatory landscape and enforcement related to cannabis, including political risks; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Corporation, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the management of growth; increasing competition in the industry; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; risks related to the economy generally; risk of litigation; and risks related to future acquisitions or dispositions. Please refer to the Corporation's listing statement and most recent management's discussion and analysis for additional risk factors relating to the Corporation, which can be accessed either on the Corporation's website at www.gabyinc.ca or under the Corporation's profile on www.sedar.com. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. The Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

SCHEDULE "A"

**FINANCIAL STATEMENTS OF MIRAMAR AS AT AND FOR THE FINANCIAL YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

MIRAMAR PROFESSIONAL SERVICES

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 and 2019
(in United States dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Miramar Professional Services

Opinion

We have audited the accompanying consolidated financial statements of Miramar Professional Services (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of comprehensive income, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

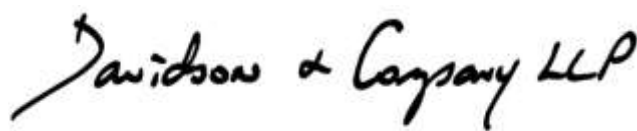


As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 3, 2021

MIRAMAR PROFESSIONAL SERVICES
Consolidated Statements of Financial Position

<i>In US dollars</i>	Note	September 30, 2020	September 30, 2019
ASSETS			
Current			
Cash		2,542,026	1,740,327
Accounts receivable		2,000	26,000
Inventory	3	1,141,647	1,707,459
Prepaid expenses	4	212,054	74,031
Notes receivable from shareholders	5	395,586	496,135
		4,293,313	4,043,952
Non-current			
Property and equipment	6	7,121,489	1,595,603
Intangible assets	7	1,515,076	-
Security deposits		68,273	30,305
Deferred tax assets	15	98,285	170,996
Total assets		13,096,436	5,840,856
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	8	2,035,199	1,302,040
Due to related parties	9	-	20,695
Income taxes payable	15	1,725,872	2,111,787
Deferred revenue	10	220,040	519,431
Short-term notes payable	11	775,000	-
Current portion of lease liabilities	12	259,700	202,200
		5,015,811	4,156,153
Non-current liabilities			
Lease liabilities	12	6,908,302	1,126,574
Other long-term liabilities	15	4,095,971	2,882,692
Total liabilities		16,020,084	8,165,419
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	2,139,610	2,139,610
Deficit		(5,063,258)	(4,464,173)
		(2,923,648)	(2,324,563)
Total liabilities and shareholders' equity (deficiency)		13,096,436	5,840,856
Contingencies	20		
Subsequent events	22		

See accompanying notes to the consolidated financial statements

On behalf of board: [signed]
James Schmachtenberger, Director

MIRAMAR PROFESSIONAL SERVICES
Consolidated Statements of Comprehensive Income

<i>In US dollars</i>	Note	Year Ended September 30,	
		2020	2019
Revenue, net		29,751,508	25,360,856
Cost of sales	14	16,196,320	14,998,588
Gross profit		13,555,188	10,362,268
Selling, general and administrative expenses			
Employee salaries and benefits	9	4,455,708	3,349,126
Advertising and promotion		1,234,934	791,439
Contract services		639,028	422,827
Professional fees		573,286	658,808
Office and administrative expenses		315,116	435,145
Occupancy		201,980	144,821
Insurance		140,623	152,629
Taxes and licenses		118,093	99,441
Vehicle		87,108	29,497
Consulting fees	9	205,214	61,860
Other		259,995	267,038
Depreciation of plant and equipment	6	557,275	322,183
Income from operations before the following:		4,766,828	3,627,454
Interest expense		(410,206)	(115,948)
Interest income		14,668	12,487
Loss on disposal of equipment		-	(1,874)
Penalties and interest on past-due taxes		(82,712)	(205,664)
Total other income (expenses)		(478,250)	(310,999)
Income before income tax expense		4,288,578	3,316,455
Current income tax expense	15	2,996,452	2,226,477
Deferred income tax expense	15	72,711	55,302
Income tax expense	15	3,069,163	2,281,779
Net and comprehensive income		1,219,415	1,034,676

See accompanying notes to the consolidated financial statements

MIRAMAR PROFESSIONAL SERVICES

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

		<i>In US dollars</i>		
	Number of shares outstanding	Share capital	Deficit	Total
Balance as at October 1, 2018	1,000,000	2,139,610	(3,120,849)	(981,239)
Net and comprehensive income	-	-	1,034,676	1,034,676
Shareholder distributions	-	-	(2,378,000)	(2,378,000)
Balance as at September 30, 2019	1,000,000	2,139,610	(4,464,173)	(2,324,563)
Net and comprehensive income	-	-	1,219,415	1,219,415
Shareholder distributions	-	-	(1,818,500)	(1,818,500)
Balance as at September 30, 2020	1,000,000	2,139,610	(5,063,258)	(2,923,648)

See accompanying notes to the consolidated financial statements

MIRAMAR PROFESSIONAL SERVICES
Consolidated Statements of Cash Flows

		Year Ended September 30,	
<i>In US dollars</i>	Note	2020	2019
OPERATING ACTIVITIES			
Net income		1,219,415	1,034,676
Adjustments to arrive at cash flow from operations:			
Deferred income tax expense	15	72,711	55,302
Depreciation	6	634,873	322,593
Loss on disposal of equipment		-	1,874
Interest expense		410,206	115,948
Interest income from shareholders		(14,668)	(12,487)
Cash generated by operating activities before the following:		2,322,537	1,517,906
Net change in non-cash working capital relating to operations	16	1,712,921	1,819,110
Cash generated by operating activities		4,035,458	3,337,016
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(136,797)	(163,189)
Proceeds on sale of equipment		-	14,123
Purchase of intangible assets	7, 17	(515,076)	-
Issuance of notes receivable from shareholders	5	(260,000)	(417,500)
Notes receivable from shareholders – payments received	5	62,919	14,880
Interest received from shareholders	5	-	10,122
Deposits paid		(37,968)	-
Cash used in investing activities		(886,922)	(541,564)
FINANCING ACTIVITIES			
Repayment of short-term notes payable	11	(225,000)	(68,608)
Repayment of lease liabilities		(184,734)	(179,269)
Interest paid		(410,206)	(115,948)
Shareholder distributions	9	(1,526,897)	(2,174,150)
Cash used in financing activities		(2,346,837)	(2,537,975)
Net change in cash		801,699	257,477
Cash, beginning of year		1,740,327	1,482,850
Cash, end of year		2,542,026	1,740,327

See accompanying notes to the consolidated financial statements, including Notes 16 and 17

MIRAMAR PROFESSIONAL SERVICES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

NATURE OF BUSINESS

Miramar Professional Services dba Mankind (“the Corporation” or “Mankind”) is a Corporation registered under the laws of the State of California. The Corporation’s registered office is 7128 Miramar Road, Suite 14B, San Diego, California 92121. Mankind is a retail cannabis business based in San Diego, California that offers cannabis goods to medical and recreational consumers through its storefront, curbside pickup, and delivery. Mankind is predominately a reseller of goods produced by other companies. Mankind offers a “self-serve” retail model that distinguishes it from most of the retail cannabis market. Mankind has been operating in San Diego since the beginning of 2016 as a medical retailer and began offering products to medical and recreational customers at the beginning of 2018.

1) BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements for the years ended September 30, 2020 and 2019 (“Financial Statements”) have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee.

These Financial Statements were approved and authorized for issue by the Corporation’s board of directors (“Board”) on February 3, 2021.

Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in US dollars unless otherwise indicated. Other measurement bases used are outlined in Note 2 and in other applicable notes.

Going concern

These Financial Statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. These Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

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Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

2) ACCOUNTING POLICIES

Basis of consolidation

The Financial Statements include the accounts of the Corporation and those of its subsidiary, an entity over which the Corporation has control. Control exists when the Corporation has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. The results of operations of the subsidiary acquired during the period are included from their respective dates of acquisitions, being the time at which the Corporation obtains control. The Corporation assesses control through share ownership and voting rights. The following companies have been consolidated in the Financial Statements:

	Registered	Holding	Functional Currency
Miramar Professional Services	California, USA	Parent Company	United States dollar ("USD")
Wild West Industries, Inc.	California, USA	100%	United States dollar ("USD")

Intercompany balances and transactions, and any unrealized gains or losses arising from intercompany transactions, are eliminated in preparing the Financial Statements.

Business combinations

Business combinations are accounted for using the acquisition method when control of an entity operating as a business is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, along with identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlements of pre-existing relationships; such amounts are generally included in profit or loss.

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

Cash

Cash consists of cash on hand and balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the first-in first-out method. The cost of procured finished goods and unprocessed raw material inventory is based on weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the

MIRAMAR PROFESSIONAL SERVICES

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In US dollars, unless otherwise stated

estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management. No depreciation is recorded on property and equipment that is not available for use.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Corporation, and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major components of the asset, when the refurbishment results in a significant extension in the physical life of the component, and in which case, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property and equipment are expensed as incurred in profit or loss.

Any gain or loss on de-recognition of an asset is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized on a net basis in profit or loss.

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The estimated useful lives for each class of asset are as follows:

Production equipment	5 years
Other equipment	4-5 years
Computer equipment	2 years
Furniture and fixtures	5 years
Vehicles (used)	3 years

Depreciation of leasehold improvements is recorded over the remaining term of the lease plus any renewal options that are reasonably certain to be exercised at the time the improvements are recorded.

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if applicable.

MIRAMAR PROFESSIONAL SERVICES

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In US dollars, unless otherwise stated

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The Corporation does not currently own any intangible assets that have been assessed as having a finite life.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually at the cash-generating unit ("CGU") level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

The life of the cannabis licenses and permits has been determined to be indefinite. While licenses and permits must be renewed from time to time, they are only subject to being in compliance with the conditions thereto and are perfunctory in nature.

Impairment

a. Financial assets at amortized cost

An 'expected credit loss' impairment model applies, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account. The resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously-recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

b. Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets or CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. Impairment losses recognized in prior years are reviewed by the Corporation at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in

MIRAMAR PROFESSIONAL SERVICES

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In US dollars, unless otherwise stated

the estimates used to determine the recoverable amount. An asset's carrying amount, increased through the reversal of an impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Deferred revenue

The Corporation records deferred revenue for rewards points earned by customers at time of product sales and recognizes the amounts as revenue when those points are redeemed. Points outstanding for which the customer has not made a purchase for more than one year are recognized as revenue on the assumption that the points will not be redeemed. The Corporation also includes outstanding gift cards in deferred revenue.

Leases

The Corporation elected to adopt IFRS 16, *Leases*, as of its date of transition to IFRS, which is reflected in the following accounting policy.

At inception of a contract, the Corporation assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of any identified assets: this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Corporation has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:
 - The Corporation has the right to operate the asset; or
 - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle

MIRAMAR PROFESSIONAL SERVICES

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In US dollars, unless otherwise stated

and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless it is reasonably certain that the Corporation will purchase or receive title to the asset at or before the end of the lease term, in which case the asset is depreciated over its useful life regardless of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an option renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Corporation presents right-of-use assets that do not meet the definition of investment property in property and equipment and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low value assets including information technology equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Corporation's financial instruments include cash, accounts receivable, notes receivable from shareholders, accounts payable and accrued liabilities, amounts due to related parties, short-term notes payable, and lease liabilities. The carrying value of current financial instruments approximate their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts. The fair value of the Corporation's non-current financial instruments is approximated by their carrying values as the contractual interest rates are comparable to current market interest rates.

The Corporation has made the following classifications:

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a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of accounts receivable and notes receivable and are included in current assets due to their short-term nature unless they are contractually receivable more than twelve months from the reporting date. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

b. Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade accounts payable and accrued liabilities, amounts due to related parties, short-term notes payable and lease liabilities. Current financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. Lease liabilities are initially recognized at fair value net of transaction costs that are directly attributable to the financial liability, and subsequently at amortized cost using the effective interest method.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

As the Corporation operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

The Corporation elected to adopt IFRIC 23, *Uncertainty over income tax treatments*, as of its date of transition to IFRS, which is reflected in the following accounting policy.

The Corporation recognizes uncertain income tax positions using a probability-weighted approach to determine the amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the Consolidated Statements of Comprehensive Income.

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Revenue recognition

Revenue from the sale of products is recognized when the risks and rewards of the products have been substantially transferred to the customer (usually on delivery of the goods), which is the Corporation's sole performance obligation. The Corporation experiences few product returns and, accordingly, does not record an obligation for estimated returns. Collection of the Corporation's invoices is consistently high and typically occurs at the time of the sale.

Critical accounting estimates, judgments and measurement uncertainty

The preparation of these Financial Statements requires management of the Corporation to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the Financial Statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions, and estimates are based on historical experience, business trends, and all available information that management considers relevant at the time of the preparation of the Financial Statements. However, future events and their effects cannot be anticipated with certainty; accordingly, as confirming events occur, actual results could differ from those estimates and such differences could be material.

The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of these Financial Statements. The sensitivity analysis below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

a. Income taxes

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

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Corporation's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Corporation's ability to utilize the underlying future tax deductions changes, the Corporation would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. See Note 15.

b. Inventories

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Corporation turn quickly and inventory on-hand values are relatively

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low, thus reducing the risk of inventory obsolescence. To the extent that actual losses on inventory differ from those estimated, inventory, net income (loss), and comprehensive income (loss) will be affected in future periods.

c. Property and equipment

Components of an item of plant and equipment may have different useful lives. Management makes significant estimates and judgments when determining asset depreciation rates and useful lives, which require taking into account company-specific factors, such as our past experience and expected use. The Corporation monitors and reviews asset depreciation rates and useful lives at least once per year, and revises them if they are different from previous estimates. The Corporation recognizes the effect of changes in estimates in net income prospectively. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the statement of financial position.

Furthermore, property and equipment is reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Corporation uses the fair-value-less-cost-to-sell approach to determine the recoverable amount of the assets included in property and equipment, which drives the conclusion of whether impairment exists, and if it does, the amount of impairment to record.

Fair value less cost to sell is determined based on the best information available to reflect the amount that the entity could obtain from the disposal of the assets in an arm's length transaction between knowledgeable, willing parties, after deducting costs to sell. This approach requires assumptions to be formulated about the overall physical condition of the assets and the costs involved to sell the equipment.

Management regularly evaluates these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

d. Intangible assets

Management uses estimates in determining the recoverable amount of intangible assets. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as:

- future cash flows;
- terminal growth rates; and
- discount rates.

Management regularly evaluates these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment is also applied in choosing methods of amortizing intangible assets that management believes most accurately represent the consumption of those assets and are most representative of the economic substance of the intended use

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of the underlying assets. A change in the estimate would result in a change in the amount of amortization and, as a result, a charge to profit or loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the statement of financial position.

e. Lease accounting

The adoption of IFRS 16 *Leases* required the Corporation to assess its significant judgments and certain key estimates when applying the standard in Note 2. Critical judgments required in the application of IFRS 16 include the following:

- Determining whether it is reasonably certain that an extension, purchase or termination option will be exercised, on a lease-by-lease basis. The Corporation considers all facts and circumstances and examines whether there is an economic incentive or penalty affecting the decision to exercise an option

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term. The Corporation determines the lease term as the non-cancellable period of the lease at the commencement date, adjusted for any purchase, renewal or termination options it deems reasonably certain to exercise;
- Determining the appropriate incremental borrowing rate specific to each leased asset. The Corporation establishes incremental borrowing rates used as discount factors in discounting payments reflecting the Corporation's borrowing rate, duration of lease term and credit spread; and
- Assessing whether a right-of-use asset ("ROU asset") is impaired if indicators are present.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the fair value of lease liabilities and ROU assets at initial recognition, as well as the subsequent measurement of lease liabilities and ROU assets. Changes in the economic environment or changes in the cannabis and retail industry may impact management's assessment of lease terms, and any changes in management's estimate of lease terms may have a material impact on the Corporation's Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income. In addition, the Corporation's assessed incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment and cannabis industry and the Corporation's creditworthiness. These items could potentially result in changes to amounts reported in the Consolidated Statements of Comprehensive Income and Financial Position of the Corporation.

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3) INVENTORY

The Corporation's inventory consists primarily of purchased products for retail sale. Inventory expensed in cost of sales for the year ended September 30, 2020 amounted to \$14,874,163 (year ended September 30, 2019 - \$14,585,715).

4) PREPAID EXPENSES

In \$, Balance comprised of:	2020	2019
Prepaid licences and subscriptions	125,714	74,031
Prepaid rent	71,340	-
Prepaid professional fees	15,000	-
	212,054	74,031

5) NOTES RECEIVABLE FROM SHAREHOLDERS

In \$	Note receivable (a)	Note receivable (b)	Series of notes receivable (c)	Total
Balance as at October 1, 2018	295,000	-	-	295,000
Notes receivable issued	-	90,000	327,500	417,500
Repayments received	(25,000)	-	-	(25,000)
Distributions applied to balances	-	-	(203,850)	(203,850)
Interest expense	10,120	-	2,365	12,485
Balance as at September 30, 2019	280,120	90,000	126,015	496,135
Notes receivable issued	-	-	260,000	260,000
Repayments received	-	-	(62,919)	(62,919)
Distributions applied to balances	(31,250)	(90,000)	(170,353)	(291,603)
Related party payables applied to balances	(3,961)	-	(16,734)	(20,695)
Interest expense	8,089	405	6,174	14,668
Balance as at September 30, 2020	252,998	405	142,183	395,586

Note receivable (a) is an unsecured promissory note originally issued by a shareholder to Mankind in July 2018 for \$300,000, which was amended and restated in September 2019. The note accrues interest at 3.00% per annum and is payable in monthly instalments of principal and interest not less than \$2,500, with the full balance due in July 2020. As the note is past the maturity date, it is callable at any time at the option of Mankind.

Note receivable (b) is an unsecured promissory note issued by a shareholder to Mankind in September 2019 for \$90,000. The note accrues interest at 2.57% per annum and was payable after the first two months in monthly instalments of one tenth of the principal plus all accrued interest, with the full balance due in September 2020. The principal balance was repaid to Mankind via allocation of shareholder distributions during the year ended September 30, 2020, with only the accrued interest remaining.

The series of notes receivable (c) arose from professional fees and other costs payable by the shareholders that were paid by Mankind. The notes accrue interest at 2.57%, are unsecured, and matured in August 2020. As the notes are past the maturity date, they are callable at any time at the option of Mankind.

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6) PROPERTY AND EQUIPMENT

Property and equipment, which includes right-of-use assets, is summarized as follows:

In \$	Production equipment	Leasehold improvements	Equipment	Vehicles	Furniture and fixtures	Computer equipment	Right-of use assets - facilities	Total
Balance as at October 1, 2018								
Cost	-	349,808	-	-	2,130	-	1,508,042	1,859,980
Accumulated depreciation	-	(88,890)	-	-	(86)	-	-	(88,976)
Net book value	-	260,918	-	-	2,044	-	1,508,042	1,771,004
Purchases	6,157	54,080	6,501	59,278	37,173	-	-	163,189
Disposals	-	-	-	(15,997)	-	-	-	(15,997)
Depreciation ¹	(410)	(43,900)	-	(8,516)	(4,239)	-	(265,528)	(322,593)
Balance as at September 30, 2019								
Cost	6,157	403,888	6,501	40,682	39,303	-	1,508,042	2,004,573
Accumulated depreciation	(410)	(132,790)	-	(5,917)	(4,325)	-	(265,528)	(408,970)
Net book value	5,747	271,098	6,501	34,765	34,978	-	1,242,514	1,595,603
Purchases and additions	-	36,052	61,461	26,392	4,086	8,806	2,281,522	2,418,319
Remeasurement adjustments	-	-	-	-	-	-	3,742,440	3,742,440
Depreciation ¹	(1,232)	(50,355)	(4,451)	(19,469)	(8,570)	(2,083)	(548,713)	(634,873)
Balance as at September 30, 2020								
Cost	6,157	439,940	67,962	67,074	43,389	8,806	7,532,004	8,165,332
Accumulated depreciation	(1,642)	(183,145)	(4,451)	(25,386)	(12,895)	(2,083)	(814,241)	(1,043,843)
Net book value	4,515	256,795	63,511	41,688	30,494	6,723	6,717,763	7,121,489

¹Depreciation recognized was allocated to the following accounts:

	2020	2019
Cost of sales	77,598	410
Depreciation of plant and equipment	557,275	322,183
	634,873	322,593

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7) INTANGIBLE ASSETS

On December 20, 2019, the Corporation acquired 100% of the issued and outstanding shares of Wild West Industries, Inc ("WWI") for \$1,500,000, with 20% of the WWI shares being held back by the previous owners subject to certain licensing milestones. The 20% interest is held in title only and is not entitled to any beneficial rights, including voting and distributions, or obligations thereto, including any possible funding requirements. The remaining shares will transfer to the Corporation as a matter of course and with no additional consideration being required. The Corporation incurred legal and other costs directly related to the acquisition of \$15,076, which have been capitalized to the cost of the intangible assets for a total cost of \$1,515,076.

WWI had two licenses when acquired: a provisional annual license for Type 6 (non-volatile) manufacturing issued by the Department of Public Health of the State of California, and a provisional annual license for distribution of adult-use and medicinal cannabis issued by the Bureau of Cannabis Control.

The foregoing licenses acquired through the WWI acquisition did not constitute a business combination and the transaction was therefore accounted for as an asset acquisition.

8) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	In \$	
Balance comprised of:	2020	2019
Trade accounts payable	593,107	254,739
Credit cards payable	-	-
Payroll liabilities	359,756	240,910
Accrued liabilities	326,383	149,339
Sales, excise, and use taxes payable	755,953	657,052
	2,035,199	1,302,040
Aging of trade accounts payable:		
30 days	584,055	124,677
60 days	9,052	2,705
90 days	-	12,032
Over 90 days	-	115,325
	593,107	254,739

As of September 30, 2020, accounts payable and accrued liabilities includes \$198,577 (September 30, 2019 - \$38,128) due to related parties in respect of services described in Note 9.

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9) RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

	In \$	
	2020	2019
a. Amounts included in Selling, general and administrative expenses:		
Compensation of key management personnel ("KMP") ¹ :		
Cash compensation for services provided by an entity controlled by a KMP	150,000	-
Cash compensation to individuals	352,679	259,610
Total compensation of KMP (excluding distributions)	502,679	259,610
Consulting fees paid to a company controlled by a close family member of a KMP	65,596	47,282
Contract service fees paid to a close family member of a KMP	113,561	11,177
b. Amounts included in Interest income:		
Interest on notes receivable from shareholders	14,668	12,485
c. Distributions paid to shareholders:		
Cash distributions	1,526,897	2,174,150
Distributions applied against notes receivable from shareholders	291,603	203,850
Total distributions to shareholder members of the board of directors	1,818,500	2,378,000

¹ KMP consist of those that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, which includes the most senior executive team (C-suite executives) and the Board.

Related party cash flow information is included in the consolidated statements of cash flows by caption and in Note 17. Related party amounts included in the consolidated statements of financial position as at September 30 of each year are as follows:

	In \$	
	2020	2019
a. Notes receivable from shareholders (see Note 5)		
Notes receivable, including accrued interest income	395,586	496,135
b. Amounts included in accounts payable and accrued liabilities:		
Wage, vacation, and sick leave accruals relating to KMP	45,337	38,128
Accrual for compensation for services provided by an entity controlled by a KMP	150,000	-
Outstanding accounts payable for contract service fees to a close family member of a KMP	3,240	-
Total due to related parties included in accounts payable and accrued liabilities	198,577	38,128
c. Due to related parties:		
Miscellaneous outstanding advances to shareholders	-	20,695

10) DEFERRED REVENUE

The balance in deferred revenue consists of the following:

In \$, Balance comprised of:	2020	2019
Outstanding rewards points, net ¹	212,183	519,431
Outstanding gift cards	7,857	-
	220,040	519,431

¹ Net of estimate of points that will not be redeemed of \$522,773 and \$375,396 as at September 30, 2020 and 2019 respectively

In June 2020, the Corporation amended its rewards points policy to reduce the rewards earned by customers from 5% of gross receipts to 2% of net sales.

11) SHORT-TERM NOTES PAYABLE

The Corporation issued a promissory note for \$1 million payable to the previous WWI shareholders on January 1, 2020 in connection with the WWI acquisition. The promissory note bears interest at a rate of 6% per annum and requires monthly payments of \$25,000 plus interest, with the remaining balance of \$700,000 due on January 1, 2021. As collateral for this promissory note, the shareholders of Miramar Professional Services pledged 25,000 of its outstanding common shares. The terms of this promissory note were modified subsequent to September 30, 2020 as described in Note 22.

The Corporation issued a promissory note of \$160,000 in February 2018 to an individual in connection with an agreement to pay for or purchase various items for \$235,000, with \$75,000 being required upfront. The note bore interest at 10% per annum and required monthly blended payments of principal and interest over one year. The promissory note was repaid in full in February 2019.

12) LEASE LIABILITIES

The Corporation is obligated under various lease agreements, which are summarized below. The leases require escalating payments. The current payment as of September 30, 2020 is shown in the summary below, and the future escalating payments are reflected in the estimated future payment tables below. Management has determined that it is reasonably certain that the Corporation will exercise certain of the options to extend the leases below. Accordingly, the lease terms used to calculate the lease liabilities include the renewal periods where applicable. The discount rate used for the lease liability calculations was 8.00%.

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		In \$	
Finance leases, all secured by asset financed, due:	Monthly instalments including interest	2020	2019
WWI production and warehouse facility¹			
Jan 2025, with extension to Jan 2030	24,645	2,204,258	-
Miramar Professional Services facilities			
May 2025 with extension to May 2030 ²	25,000	4,160,420	730,026
May 2025 with extension to May 2030 ²	4,475	407,805	311,098
Feb 2023, five-year extension available but not included in the lease term ²	7,710	215,141	271,019
May 2025 with extension to May 2030 ³	1,979	180,378	16,631
		4,963,744	1,328,774
Total lease liabilities		7,168,002	1,328,774
Less current portion		(259,700)	(202,200)
Long-term lease liabilities		6,908,302	1,126,574

¹The obligations under this lease agreement are guaranteed by Miramar Professional Services

²The obligations under this lease agreement are guaranteed by two shareholders of Miramar Professional Services

³The obligations under this lease agreement are guaranteed by one of the shareholders of Miramar Professional Services

Estimated future payments on finance leases are as follows	In \$
Year ending September 30,	
2021	825,165
2022	1,059,689
2023	1,069,214
2024	1,057,604
2025 - payments required under current lease	606,064
2025 - payments in option period included in lease liability	483,440
Thereafter – option period included in lease liability	5,395,409
Total future minimum lease payments	10,496,585
Less amount representing interest	(3,328,583)
Finance lease obligations	7,168,002

Estimated principal repayments are as follows	In \$
Year ending September 30,	
2021	259,700
2022	524,542
2023	580,202
2024	615,269
2025	699,367
Thereafter	4,488,922
	7,168,002

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A reconciliation of the balance of lease liabilities for the years ended September 30, 2020 and 2019 is as follows:

In \$	2020	2019
Opening balance	1,328,774	1,508,043
Additions related to new lease agreements	2,281,522	-
Remeasurement adjustments resulting from lease modifications	3,742,440	-
Total cash outflows for leases	(731,279)	(416,084)
Variable lease payments not included in the measurement of lease liabilities	176,006	122,592
Portion of lease payments allocated to interest expense	370,539	114,223
Balance as at September 30	7,168,002	1,328,774
Less current portion	(259,700)	(202,200)
Non-current portion as at September 30	6,908,302	1,126,574

See Note 6 for information regarding the related right-of-use assets and depreciation of those assets.

13) SHARE CAPITAL

The corporation is authorized to issue only one class of shares of stock. The total number of shares authorized, issued, and outstanding is 1,000,000 as of September 30, 2020 and 2019, without par or stated value. As mentioned in Note 11, 25,000 of the common shares were pledged as security for the short-term note payable as of September 30, 2020.

14) COST OF SALES

In \$	2020	2019
Balance comprised of:		
Direct costs:		
Direct materials	14,536,754	14,586,989
Salaries and benefits	645,054	-
Merchant service fees	677,455	331,115
Other direct costs	184,581	80,074
	16,043,844	14,998,178
Allocated indirect costs:		
Production facility costs	65,754	-
Depreciation of facility and equipment	77,598	410
Licenses and permits	6,137	-
Other overhead costs	2,987	-
	152,476	410
Total cost of sales	16,196,320	14,998,588

MIRAMAR PROFESSIONAL SERVICES**Notes to the Consolidated Financial Statements****September 30, 2020 and 2019***In US dollars, unless otherwise stated***15) INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended September 30 is as follows:

In \$	2020	2019
Income for the year before income taxes	4,288,578	3,316,455
Expected income tax at 29.84% combined statutory tax rate	1,279,712	989,630
Change in provision for uncertain tax positions	1,213,279	1,224,706
Permanent differences on application of IRC Section 280E	327,502	299,421
Other permanent differences	17,985	40,646
Other	230,685	(272,624)
Total income tax expense	3,069,163	2,281,779
Current income tax expense	2,996,452	2,226,477
Deferred income tax expense	72,711	55,302

The Corporation's net deferred income tax assets are as follows as at September 30 of each year:

	In \$	
Deferred tax assets (liabilities) related to the following:	2020	2019
Net lease accounting differences	39,801	7,625
Deferred revenue	65,660	154,998
Accrued liabilities	55,494	10,661
Start-up costs capitalized for income tax purposes	7,685	8,242
	168,640	181,526
Property and equipment	(69,954)	(10,530)
Prepaid expenses	(401)	-
	(70,355)	(10,530)
Net deferred income tax assets	98,285	170,996

Income tax payable is comprised of the following, based on filed income tax returns or current income tax provisions:

In \$	2020	2019
Federal income tax payable relating to the year 2018	334,210	965,548
California income tax payable relating to the year 2018	-	396,239
	334,210	1,361,787
Federal income tax payable relating to the year 2019	20,795	600,000
California income tax payable relating to the year 2019	(106,674)	150,000
	(85,879)	750,000
Federal income tax provision for tax year 2020 to date	1,117,448	-
California income tax provision for tax year 2020 to date	360,093	-
	1,477,541	-
Total income tax payable	1,725,872	2,111,787

MIRAMAR PROFESSIONAL SERVICES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

Federal and State income tax returns are filed on a calendar-year basis.

The Corporation has recorded a provision for uncertain tax positions relating to the application of IRC Section 280E of \$4,095,971 as at September 30, 2020 (\$2,882,692 as at September 30, 2019) which is included in Other long-term liabilities in the Consolidated Statements of Financial Position. The amounts recorded relate to current federal income tax for the current and prior open tax years.

16) NET CHANGE IN NON-CASH WORKING CAPITAL RELATED TO OPERATIONS

In \$	2020	2019
Balance comprised of:		
Accounts receivable	24,000	(26,000)
Inventories	565,812	(521,013)
Prepays expenses	(138,023)	10,222
Accounts payable and accrued liabilities	733,159	455,091
Income taxes payable	(385,915)	901,771
Deferred revenue	(299,391)	(225,667)
Other long-term liabilities	1,213,279	1,224,706
	1,712,921	1,819,110

17) NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place during the years as follows:

In \$	2020	2019
1 Lease capitalization and lease liability remeasurement adjustments:		
Increase in lease liability	6,023,962	-
Increase in right-of-use assets	6,023,962	-
2 Direct financing of intangible assets:		
Increase in short-term notes payable	1,000,000	-
Increase in intangible assets	1,000,000	-
3 Application of shareholder distributions against notes receivable:		
Decrease in notes receivable from shareholders	291,603	203,850
Decrease in retained earnings (accumulated deficit)	291,603	203,850
4 Offset of amounts payable to related parties against notes receivable:		
Decrease in due to related parties	20,695	-
Decrease in notes receivable from shareholders	20,695	-

The Corporation paid income taxes of \$2,189,883 during the year ended September 30, 2020 (2019 - \$100,000). Interest paid is disclosed in the Consolidated Statements of Cash Flows.

MIRAMAR PROFESSIONAL SERVICES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

18) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, notes receivable from shareholders, accounts payable and accrued liabilities, and short-term notes payable and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Corporation's non-current financial instruments consist of lease liabilities, which are measured at amortized cost.

The Corporation's activities are exposed to a variety of financial risks, including price risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Corporation is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

The Corporation is exposed to credit risk in the event of non-performance by customers and shareholders (with respect of the notes receivable from shareholders). The maximum credit risk is the fair value of the accounts receivable and notes receivable from shareholders. The allowance for doubtful accounts and past due receivables is reviewed by management for each reporting period; however, accounts receivable are generally minimal and are collected consistently. Credit risk with respect to the notes receivable from shareholders is considered to be low as the Corporation routinely pays distributions in excess of the notes receivable balances on an annual basis and is able to apply the distributions against the notes receivable balances at the request of the shareholders.

(b) Other price risk

The Corporation's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit lines. The Corporation's accounts payable and accrued liabilities, income taxes payable, short-term notes payable, and current portion of lease liabilities are due within one year. The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to improve cash flows from operations.

The Corporation manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 19. It also manages liquidity risk by continuously monitoring actual cash flows.

MIRAMAR PROFESSIONAL SERVICES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

19) CAPITAL DISCLOSURE

The Corporation's objectives when managing capital are:

- to ensure sufficient liquidity to enable the internal financing of capital projects;
- to develop a strong capital base to increase investor, creditor and market confidence; and
- to ultimately provide an adequate return to shareholders.

The Corporation's capital is currently composed of share capital and short-term notes payable. The Corporation's primary uses of capital in the past have been to finance its operations, growth, and asset purchases. The Corporation has begun negotiations for a secured operating loan that it will use for expansion of its business activities relating to its own proprietary brands, which was executed subsequent to September 30, 2020 (see Note 22).

The Board does not establish quantitative return on capital criteria for management. The Corporation is not subject to any externally imposed capital requirements.

20) CONTINGENCIES

From time to time, the Corporation is subject to legal proceedings and or claims in the normal course of business. Management vigorously defends any allegations under such suits or claims that arise from time to time and believes that the ultimate liability, if any, under any pending matters will not materially affect the financial position or results of operations of the Corporation. At September 30, 2020, the Corporation was not subject to any material legal proceedings.

The Corporation's operations are in the USA cannabis sector which has been legalized by certain USA states but remains federally illegal and is subject to legislative uncertainty.

21) CONCENTRATIONS

The Corporation's sales activities are concentrated in a small geographic location in California, specifically, the communities in which the Corporation is located. Currently, economic growth in the area is relatively stable, but any unfavorable changes could also affect the Corporation.

22) SUBSEQUENT EVENTS

Letter of intent

The shareholders of the Corporation have entered into an exclusive non-binding letter of intent (the "LOI") with GABY Inc, a Canadian public company ("GABY"), pursuant to which the parties are expected to execute a definitive transaction agreement (the "Definitive Agreement"). The Definitive Agreement is expected to provide for the merger of GABY with Mankind through the acquisition of all of the equity securities of Mankind for total consideration of \$36.5 million, subject to adjustment in accordance with the Definitive Agreement. The consideration will be satisfied through: (i) the payment of \$5.0 million in cash; (ii) the issuance of such number of common shares in the capital of GABY ("GABY Shares") as is equal to an aggregate of \$6.0 million with the GABY Shares priced at CDN\$0.05 per GABY Share; and (iii) the issuance of a secured non-convertible promissory note for \$25.5 million. Pursuant to the LOI, Mankind has agreed to deal exclusively

MIRAMAR PROFESSIONAL SERVICES

Notes to the Consolidated Financial Statements

September 30, 2020 and 2019

In US dollars, unless otherwise stated

with GABY with regard to the Merger. Completion of the Merger will be subject to customary closing conditions to be set forth in the Definitive Agreement. It is anticipated that the Merger will close on or about February 15, 2021.

Loan agreement

On December 29, 2020 the Corporation entered into a loan agreement with a maximum loan amount of \$500,000. The loan will be secured by substantially all assets of the Corporation and guaranteed by one of the Corporation's shareholders. The loan will accrue interest at a rate of 18.5% per annum and require advance fees of 2% of the amount advanced at the time of each advance. Interest-only payments will be required for the first three months after the first advance, after which principal and interest payments will be required monthly. All amounts advanced shall bear interest for not less than 12 months; if the advance is repaid before that time, the interest for the remainder of the one-year period will be payable at that time. The loan will be fully due and payable two years after the date of the first required interest payment. In addition to making the required payments, the Corporation also will be required to meet various covenants in order to avoid an event of default. In the event of a continuing default under the terms of the loan agreement, all amounts owing would become due on demand and interest of an additional 10% per annum could be charged on the outstanding principal balance at the option of the lender.

Short-term note payable modification

Subsequent to September 30, 2020, the terms of the short-term note payable were modified to extend repayment of the note over an additional year. Accordingly, the balloon payment of \$700,000 due in January 2021 was reduced to \$300,000, with principal payments of \$18,000 plus interest due monthly thereafter through November 2021, \$20,000 plus interest due in December 2021, and a final balloon payment of \$200,000 plus interest due in January 2022.

SCHEDULE "B"

**FINANCIAL STATEMENTS OF MIRAMAR AS AT AND FOR THE THREE MONTHS ENDED
DECEMBER 31, 2020 AND 2019**

(UNAUDITED)

MIRAMAR PROFESSIONAL SERVICES
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2020 AND 2019
(in United States dollars)

MIRAMAR PROFESSIONAL SERVICES
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

		December 31, 2020	September 30, 2020
<i>In US dollars</i>	Note		
ASSETS			
Current			
Cash		2,699,745	2,542,026
Accounts receivable		2,000	2,000
Inventories		1,019,313	1,141,647
Prepaid expenses	2	89,383	212,054
Notes receivable from shareholders		370,134	395,586
		4,180,575	4,293,313
Non-current			
Property and equipment	3	6,907,661	7,121,489
Intangible assets		1,515,076	1,515,076
Security deposits		68,273	68,273
Deferred tax assets		106,817	98,285
Total assets		12,778,402	13,096,436
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	4	2,177,074	2,035,199
Income taxes payable	5	1,110,917	1,725,872
Deferred revenue		177,513	220,040
Short-term notes payable	6	-	775,000
Current portion of lease liabilities	7	306,600	259,700
Current portion of long-term debt	6	500,000	-
		4,272,104	5,015,811
Non-current liabilities			
Lease liabilities	7	6,813,014	6,908,302
Long-term debt	6	200,000	-
Other long-term liabilities	5	4,409,814	4,095,971
Total liabilities		15,694,932	16,020,084
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	9	2,139,610	2,139,610
Deficit		(5,056,140)	(5,063,258)
		(2,916,530)	(2,923,648)
Total liabilities and shareholders' equity (deficiency)		12,778,402	13,096,436

Subsequent events

12

See accompanying notes to the condensed interim consolidated financial statements

[signed]

On behalf of board: James Schmachtenberger, Director

MIRAMAR PROFESSIONAL SERVICES

Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited)

<i>In US dollars</i>	Note	Three months ended December 31,	
		2020	2019
Revenue, net		7,034,403	7,775,517
Cost of sales	8	3,654,482	4,621,393
Gross profit		3,379,921	3,154,124
Selling, general and administrative expenses	4		
Employee salaries and benefits		979,585	1,217,221
Advertising and promotion		325,329	287,836
Contract services		173,980	137,709
Professional fees		141,898	185,437
Office and administrative expenses		98,514	92,054
Occupancy		25,666	95,680
Insurance		43,563	32,591
Taxes and licenses		21,774	44,482
Vehicle		13,400	19,390
Consulting fees		15,073	22,550
Other		59,213	93,402
Depreciation of plant and equipment		185,628	85,181
Income from operations before the following:		1,296,298	840,591
Interest expense		(156,039)	(26,257)
Interest income		3,798	3,667
Penalties and interest on past-due taxes		(19,076)	(153,668)
Total other expenses		(171,317)	(176,258)
Income before income tax expense		1,124,981	664,333
Current income tax expense		751,395	584,686
Deferred income tax expense (recovery)		(8,532)	1,000
Income tax expense		742,863	585,686
Net and comprehensive income		382,118	78,647
Net income per share:			
Basic and diluted	9	\$0.38	\$0.08

See accompanying notes to the condensed interim consolidated financial statements

MIRAMAR PROFESSIONAL SERVICES

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)

<i>In US dollars</i>		Number of shares outstanding	Share capital	Deficit	Total
	Note				
Balance as at September 30, 2019		1,000,000	2,139,610	(4,464,173)	(2,324,563)
Net and comprehensive income		-	-	78,647	78,647
Shareholder distributions	4	-	-	(563,500)	(563,500)
Balance as at December 31, 2019		1,000,000	2,139,610	(4,949,026)	(2,809,416)
Balance as at September 30, 2020		1,000,000	2,139,610	(5,063,258)	(2,923,648)
Net and comprehensive income		-	-	382,118	382,118
Shareholder distributions	4	-	-	(375,000)	(375,000)
Balance as at December 31, 2020		1,000,000	2,139,610	(5,056,140)	(2,916,530)

See accompanying notes to the condensed interim consolidated financial statements

MIRAMAR PROFESSIONAL SERVICES
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

		Three months ended December 31,	
<i>In US dollars</i>	Note	2020	2019
OPERATING ACTIVITIES			
Net income		382,118	78,647
Adjustments to reconcile net income to cash flow from operations:			
Deferred income tax expense (recovery)		(8,532)	1,000
Depreciation	3	214,929	85,489
Interest expense		156,039	26,257
Interest income		(3,798)	(3,667)
Cash generated by operating activities before the following:		740,756	187,726
Net change in non-cash working capital related to operations		43,241	439,616
Cash generated by operating activities		783,997	627,342
INVESTING ACTIVITIES			
Purchase of property and equipment	3	(1,101)	(15,086)
Purchase of intangible assets		-	(500,000)
Issuance of notes receivable		-	(100,000)
Cash used in investing activities		(1,101)	(615,086)
FINANCING ACTIVITIES			
Repayment of short-term notes payable	6	(50,000)	-
Repayment of long-term debt	6	(25,000)	-
Repayment of lease liabilities	7	(48,388)	(48,460)
Interest paid		(156,039)	(26,257)
Shareholder distributions	4	(345,750)	(438,500)
Cash used in financing activities		(625,177)	(513,217)
Net change in cash		157,719	(500,961)
Cash, beginning of period		2,542,026	1,740,327
Cash, end of period		2,699,745	1,239,366

See accompanying notes to the condensed interim consolidated financial statements

See Note 10 for detail of non-cash transactions and other cash flow disclosures

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

NATURE OF BUSINESS

Miramar Professional Services dba Mankind (“the Corporation” or “Mankind”) is a Corporation registered under the laws of the State of California. The Corporation’s registered office is 7128 Miramar Road, Suite 14B, San Diego, California 92121. Mankind is a retail cannabis business based in San Diego, California that offers cannabis goods to medical and recreational consumers through its storefront, curbside pickup, and delivery. Mankind is predominately a reseller of goods produced by other companies. Mankind offers a “self-serve” retail model that distinguishes it from most of the retail cannabis market. Mankind has been operating in San Diego since the beginning of 2016 as a medical retailer and began offering products to medical and recreational customers at the beginning of 2018.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements (“Financial Statements”) have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee.

These Financial Statements were approved and authorized for issue by the Corporation’s board of directors (“Board”) on March 29, 2021.

Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed In US dollars unless otherwise indicated. Other measurement bases used are detailed in the Corporation’s annual consolidated financial statements (“Annual Financial Statements”).

Certain comparative figures have been reclassified to conform to the current year’s presentation.

The notes presented in these Financial Statements include only significant events and transactions occurring since the Corporation’s last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Corporation’s annual consolidated financial statements. As a result, these Financial Statements should be read in conjunction with the Annual Financial Statements.

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements.

2. PREPAID EXPENSES

In \$, Balance comprised of:	Dec 31, 2020	Sep 30, 2020
Prepaid licenses and subscriptions	76,883	125,714
Prepaid rent	-	71,340
Prepaid professional fees	12,500	15,000
	89,383	212,054

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

3. PROPERTY AND EQUIPMENT

In \$	Net book value of Property and equipment		
	Right-of use assets	All other property and equipment	Total
Balance as at September 30, 2019	1,242,514	353,089	1,595,603
Purchases	-	15,086	15,086
Depreciation ¹	(66,382)	(19,107)	(85,489)
Balance as at December 31, 2019	1,176,132	349,068	1,525,200
Balance as at September 30, 2020	6,717,763	403,726	7,121,489
Purchases	-	1,101	1,101
Depreciation ¹	(188,962)	(25,967)	(214,929)
Balance as at December 31, 2020	6,528,801	378,860	6,907,661

¹Depreciation recognized was allocated to the following accounts for the three months ended December 31, 2020 and 2019:

	2020	2019
Cost of sales	29,301	308
Depreciation of plant and equipment	185,628	85,181
	214,929	85,489

4. RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

	In \$	
For the three months ended December 31,	2020	2019
a. Amounts included in Selling, general and administrative expenses:		
Compensation of key management personnel ("KMP") ¹ :		
Cash compensation to individuals	108,507	88,519
Consulting fees paid to a company controlled by a close family member of a KMP	15,184	18,750
Contract service fees paid to a close family member of a KMP	46,675	10,381
b. Amounts included in Interest income:		
Interest on notes receivable from shareholders	3,798	3,667
c. Distributions paid to shareholders:		
Cash distributions	345,750	438,500
Distributions applied against notes receivable from shareholders	29,250	125,000
Total distributions to shareholder members of the board of directors	375,000	563,500

¹ KMP consist of those that have the authority and responsibility for planning, directing, and controlling the activities of the Corporation, which includes the most senior executive team (C-suite executives) and the Board.

Related party cash flow information is included in the consolidated statements of cash flows by caption and in Note 10. Related party amounts included in the consolidated statements of financial position as at December 31, 2020 and

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

September 30, 2020 are as follows:

	In \$	
	Dec 31, 2020	Sep 30, 2020
a. Notes receivable from shareholders		
Notes receivable, including accrued interest income	370,134	395,586
b. Amounts included in accounts payable and accrued liabilities:		
Wage, vacation, and sick leave accruals relating to KMP	42,502	45,337
Compensation payable for services provided by an entity controlled by a KMP	150,000	150,000
Outstanding contract service fees payable to a close family member of a KMP	656	3,240
Total due to related parties included in accounts payable and accrued liabilities	193,158	198,577

5. INCOME TAXES PAYABLE

Income tax payable is comprised of the following, based on filed income tax returns or current income tax provisions:

In \$	Dec 31, 2020	Sep 30, 2020
Federal income tax payable relating to the year 2018	160,251	334,210
California income tax payable relating to the year 2018	-	-
	160,251	334,210
Federal income tax payable relating to the year 2019	(18,019)	20,795
California income tax payable relating to the year 2019	(104,315)	(106,674)
	(122,334)	(85,879)
Federal income tax provision for the year 2020, net of instalments	713,000	1,117,448
California income tax provision for the year 2020	360,000	360,093
	1,073,000	1,477,541
Total income tax payable	1,110,917	1,725,872

The Corporation has recorded a provision for uncertain tax positions relating to the application of IRC Section 280E of \$4,409,814 as at December 31, 2020 (\$4,095,971 as at September 30, 2020) which is included in Other long-term liabilities in the Condensed Interim Consolidated Statements of Financial Position. The amounts recorded relate to current federal income tax for the current and prior open tax years.

6. SHORT-TERM NOTE PAYABLE AND LONG-TERM DEBT

The Corporation issued a note payable for \$1 million payable to the previous WWI shareholders on January 1, 2020 in connection with the WWI acquisition. Under the original terms of the note payable, it bore interest at a rate of 6% per annum and required monthly payments of \$25,000 plus interest, with the remaining balance of \$700,000 due on January 1, 2021. In December 2020, the terms of the note payable were modified to extend repayment of the note over an additional year. Accordingly, the balloon payment of \$700,000 due in January 2021 was reduced to \$300,000, with principal payments of \$18,000 plus interest due monthly thereafter through November 2021, \$20,000 plus interest due in December 2021, and a final balloon payment of \$200,000 plus interest due in January 2022. As a result of the modification, the note payable was reclassified from a short-term note payable to long-term debt, as follows:

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

	In \$	
For the three months ended December 31,	2020	2019
Short-term note payable		
Opening balance	775,000	-
Repayments of short-term note payable	(50,000)	-
Transfer to long-term debt on modification of note payable	(725,000)	-
Ending balance of short-term note payable	-	-
Long-term debt		
Opening balance	-	-
Transfer to long-term debt on modification of note payable	725,000	-
Repayments of long-term debt	(25,000)	-
	700,000	-
Less: current portion of long-term debt	(500,000)	-
Long-term debt	200,000	-

7. LEASE LIABILITIES

The Corporation is obligated under various lease agreements as described in the Annual Financial Statements. A reconciliation of the balance of lease liabilities for the three-month periods ended December 31, 2020 and 2019 is as follows:

	In \$	
For the three months ended December 31,	2020	2019
Balance, beginning of period	7,168,002	1,328,774
Total cash outflows for leases	(210,819)	(163,040)
Variable lease payments not included in the measurement of lease liabilities	19,392	88,323
Portion of lease payments allocated to interest expense	143,039	26,257
Balance, end of period	7,119,614	1,280,314
Current portion of lease liabilities	(306,600)	(209,600)
Non-current portion, end of period	6,813,014	1,070,714

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

8. COST OF SALES

	In \$	
For the three months ended December 31,	2020	2019
Balance comprised of:		
Direct costs:		
Direct materials	3,084,051	4,474,459
Salaries and benefits	247,392	-
Merchant service fees	221,403	126,393
Other direct costs	34,989	20,233
	3,587,835	4,621,085
Allocated indirect costs:		
Production facility costs	32,579	-
Depreciation of facility and equipment	29,301	308
Licenses and permits	4,767	-
	66,647	308
Total cost of sales	3,654,482	4,621,393

Inventory expensed in cost of sales for the three months ended December 31, 2020 amounted to \$3,131,283 (three months ended December 31, 2019 - \$4,473,889).

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year of 1,000,000 shares. The Corporation does not have any outstanding equity instruments other than common shares and, accordingly, diluted earnings per share is the same as basic earnings per share.

10. NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place during the three-month periods ended as follows:

	In \$	
For the three months ended December 31,	2020	2019
1 Application of shareholder distributions against notes receivable:		
Decrease in notes receivable from shareholders	29,250	125,000
Decrease in retained earnings (accumulated deficit)	29,250	125,000
2 Direct financing of intangible assets:		
Increase in short-term notes payable	-	1,000,000
Increase in intangible assets	-	1,000,000
3 Offset of amounts payable to related parties against notes receivable:		
Decrease in due to related parties	-	20,695
Decrease in notes receivable from shareholders	-	20,695

The Corporation paid income taxes of \$937,414 during the three months ended December 31, 2020 (2019 - \$768,785).

MIRAMAR PROFESSIONAL SERVICES

Notes to the Condensed Interim Consolidated Financial Statements

In US dollars, unless otherwise stated (Unaudited)

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, notes receivable from shareholders, accounts payable and accrued liabilities, and short-term notes payable and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Corporation's non-current financial instruments consist of lease liabilities and long-term debt, which are measured at amortized cost.

12. SUBSEQUENT EVENTS

Definitive agreement to be acquired

On February 15, 2021, the shareholders of the Corporation executed a definitive share purchase agreement (the "Definitive Agreement") with GABY Inc, a Canadian public company ("GABY"). The Definitive Agreement provides for the merger of GABY with Mankind through the acquisition of all the equity securities of Mankind for total consideration of \$36.5 million, subject to adjustment in accordance with the Definitive Agreement. The consideration will be satisfied through: (i) the payment of \$5.0 million in cash; (ii) the issuance of 157,894,737 common shares in the capital of GABY ("GABY Shares"); and (iii) the issuance of a secured non-convertible promissory note for \$25.5 million. Completion of the Merger will be subject to customary closing conditions as set forth in the Definitive Agreement. It is anticipated that the Merger will close on or about April 1, 2021.

Loan agreement

The Corporation entered into a loan agreement with a maximum loan amount of \$500,000, the proceeds of which were advanced on January 4, 2021. The loan will be secured by substantially all assets of the Corporation and guaranteed by one of the Corporation's shareholders. The loan will accrue interest at a rate of 18.5% per annum and require advance fees of 2% of the amount advanced at the time of each advance. Interest-only payments will be required for the first three months after the first advance, after which principal and interest payments will be required monthly. All amounts advanced shall bear interest for not less than 12 months; if the advance is repaid before that time, the interest for the remainder of the one-year period will be payable at that time. The loan will be fully due and payable two years after the date of the first required interest payment. In addition to making the required payments, the Corporation also will be required to meet various covenants to avoid an event of default. In the event of a continuing default under the terms of the loan agreement, all amounts owing would become due on demand and interest of an additional 10% per annum could be charged on the outstanding principal balance at the option of the lender.