

Interim condensed consolidated financial statements

MPX International Corporation

Three and six months ended March 31, 2019

(unaudited)

Notice of No Auditor Review of Interim Condensed Financial Statements

In accordance with National Instrument 51-102, the Corporation discloses that its external auditors have not reviewed the accompanying interim condensed consolidated financial statements of MPX International Corporation.

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MPX International Corporation**Interim condensed consolidated statements of financial position (unaudited)**

(in Canadian dollars)

As at	March 31, 2019	September 30, 2018
Assets		
Current		
Cash	\$ 30,253,164	\$ 164,579
Accounts receivable (Note 5)	895,094	331,214
Inventory (Note 6)	391,253	66,286
Biological assets (Note 7)	407,227	40,552
Prepaid expenses	98,358	43,771
	<u>32,045,096</u>	<u>646,402</u>
Non-current		
Property, plant and equipment (Note 8)	3,038,588	3,275,360
Intangible assets (Note 9)	22,922,582	23,066,749
Goodwill (Note 10)	5,007,730	-
Joint venture (11)	25,100	96,340
Deposits	180,346	131,383
	<u>30,174,346</u>	<u>26,569,832</u>
Total assets	\$ 63,219,442	\$ 27,216,234
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 1,187,559	\$ 147,162
Income tax payable (Note 13)	11,278	-
Current portion of contingent consideration (Note 14)	1,600,896	-
	<u>2,799,733</u>	<u>147,162</u>
Non-current		
Lease inducement	901,777	953,519
Contingent consideration (Note 14)	2,385,390	-
	<u>3,287,167</u>	<u>953,519</u>
Total liabilities	6,086,900	1,100,681
Equity		
Owner's net investment	-	26,115,553
Share capital	47,432,009	-
Warrants	11,277,103	-
Contributed surplus	1,185,116	-
Accumulated other comprehensive income (loss)	86,997	-
Deficit	(2,848,683)	-
Equity attributable to shareholders of the Corporation	<u>57,132,542</u>	<u>26,115,553</u>
Total liabilities and equity	\$ 63,219,442	\$ 27,216,234

On Behalf of the Board:

Signed "W. Scott Boyes" Director

Signed "Jeremy S. Budd" Director

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX International Corporation

Interim condensed consolidated statements of changes in equity (unaudited)

(in Canadian dollars)

Six months ended March 31, 2019

	Share capital	Owner's net investment	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated losses	Total
Balance, October 1, 2017	\$ -	\$ (804,768)	\$ -	\$ -	\$ -	\$ -	\$ (804,768)
Adjustment to owner's net investment	-	481,652	-	-	-	-	481,652
Net loss and comprehensive loss for the period	-	(359,280)	-	-	-	-	(359,280)
Balance, March 31, 2018	<u>\$ -</u>	<u>\$ (682,396)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (682,396)</u>
Balance, October 1, 2018	\$ -	\$ 26,115,553	\$ -	\$ -	\$ -	\$ -	\$ 26,115,553
Private placement	15,628,060	-	11,277,103	-	-	-	26,905,163
Share issuance costs - warrants	(117,271)	-	-	-	-	-	(117,271)
Consulting fees	-	-	-	150,737	-	-	150,737
Share-based compensation	-	195,997	-	1,034,379	-	-	1,230,376
Contributions and net change in investment	-	7,840,755	-	-	-	-	7,840,755
Transfer to MPXI share capital	31,921,220	(31,921,220)	-	-	-	-	-
Net income (loss) and comprehensive income (loss) for the period	-	(2,231,085)	-	-	86,997	(2,848,683)	(4,992,771)
Balance, March 31, 2019	<u>\$ 47,432,009</u>	<u>\$ -</u>	<u>\$ 11,277,103</u>	<u>\$ 1,185,116</u>	<u>\$ 86,997</u>	<u>\$ (2,848,683)</u>	<u>\$ 57,132,542</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX International Corporation
Interim condensed consolidated statements of net loss and
comprehensive loss (unaudited)
(in Canadian dollars)

	Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Sales	\$ 212,201	\$ 3,736	\$ 468,773	\$ 5,544
Cost of sales	<u>8,369</u>	<u>1,070</u>	<u>25,620</u>	<u>1,623</u>
Gross profit before unrealized gain from changes in fair value of biological assets	203,832	2,666	443,153	3,921
Unrealized gain from changes in fair value of biological assets (Note 7)	<u>64,160</u>	<u>-</u>	<u>349,904</u>	<u>-</u>
Gross profit	<u>267,992</u>	<u>2,666</u>	<u>793,057</u>	<u>3,921</u>
Expenses				
General and administrative (Note 18)	1,916,284	157,166	2,731,358	278,943
Professional fees	435,292	12,388	752,822	(19,558)
Share-based compensation (Note 16)	1,034,694	68,682	1,230,376	89,090
Amortization and depreciation (Notes 8 and 9)	<u>276,916</u>	<u>14,695</u>	<u>368,657</u>	<u>14,726</u>
	<u>3,663,186</u>	<u>252,931</u>	<u>5,083,213</u>	<u>363,201</u>
Loss from operations	(3,395,194)	(250,265)	(4,290,156)	(359,280)
Other expense (income)				
Foreign exchange	(46,942)	(53,743)	(80,889)	-
Interest income	(150)	-	(150)	-
Share of loss of joint venture (Note 11)	15,966	-	72,477	-
Interest and financing charges	419	-	776	-
Accretion expense (Note 14)	28,450	-	102,527	-
Change in fair value of derivative liability (Note 14)	(309,690)	-	51,607	-
Loss on disposal of PPE	-	-	71,037	-
Transaction costs	<u>506,398</u>	<u>-</u>	<u>560,949</u>	<u>-</u>
	<u>194,451</u>	<u>(53,743)</u>	<u>778,334</u>	<u>-</u>
Net loss	\$ (3,589,645)	\$ (196,522)	\$ (5,068,490)	\$ (359,280)
Income tax expense	<u>(11,278)</u>	<u>-</u>	<u>(11,278)</u>	<u>-</u>
Net loss after income taxes	\$ (3,600,923)	\$ (196,522)	\$ (5,079,768)	\$ (359,280)
Other comprehensive (loss) income				
Exchange differences on translating foreign operations	<u>\$ 82,694</u>	<u>\$ -</u>	<u>\$ 86,997</u>	<u>\$ -</u>
Comprehensive loss for the period	<u>\$ (3,518,229)</u>	<u>\$ (196,522)</u>	<u>\$ (4,992,771)</u>	<u>\$ (359,280)</u>
Loss per share, basic and diluted	<u>\$ (0.10)</u>	<u>\$ -</u>	<u>\$ (0.27)</u>	<u>\$ -</u>
Basic and diluted weighted average number of shares outstanding	<u>33,974,840</u>	<u>-</u>	<u>18,531,731</u>	<u>-</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX International Corporation**Interim condensed consolidated statements of cash flows (unaudited)**

(in Canadian dollars)

Six months ended	March 31, 2019	March 31, 2018
Operating activities		
Net loss	\$ (5,079,768)	\$ (359,280)
Items not affecting cash:		
Amortization and depreciation	415,038	14,726
Share-based compensation	1,230,376	89,090
Accretion expense	102,527	-
Change in fair value of derivative liabilities	51,607	-
Share of loss of joint venture	72,477	-
Income tax expense	11,278	-
Consulting fees settled via equity instruments	150,737	-
Loss on disposal of PPE	114,119	-
Unrealized foreign exchange gain	82,918	-
Unrealized gain from changes in fair value of biological assets	(349,904)	-
	<u>(3,198,595)</u>	<u>(255,464)</u>
Changes in non-cash working capital:		
Accounts receivable	(560,177)	(23,054)
Inventory and biological assets	(341,738)	(23,599)
Prepaid expenses and deposits	(103,550)	(29,048)
Accounts payable and accrued liabilities	1,004,445	(31,755)
Lease inducement	(51,742)	(54,512)
	<u>(52,762)</u>	<u>(161,968)</u>
Net cash used in operating activities	<u>(3,251,357)</u>	<u>(417,432)</u>
Investing activities		
Purchase of property, plant and equipment	<u>(145,376)</u>	<u>(17,606)</u>
Net cash used in investing activities	<u>(145,376)</u>	<u>(17,606)</u>
Financing activities		
Funds received pursuant to the arrangement	5,239,591	-
Contributions and change in owner's net investment	1,457,835	392,562
Proceeds from private placement	26,905,163	-
Share issuance costs on private placement	(117,271)	-
Net cash provided by financing activities	<u>33,485,318</u>	<u>392,562</u>
Increase (decrease) in cash	30,088,585	(42,476)
Cash, beginning of period	<u>164,579</u>	<u>42,476</u>
Cash, end of period	<u>\$ 30,253,164</u>	<u>\$ -</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

1. Nature of operations

Background

2660528 Ontario Inc. was incorporated on October 17, 2018 and changed its name to MPX International Corporation on November 13, 2018.

On February 5, 2019, MPX International Corporation ("MPXI" or the "Corporation"), MPX Bioceutical Corporation ("MPX"), and iAnthus Capital Holdings Inc. ("iAnthus") closed a plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia), pursuant to which iAnthus acquired all of the issued and outstanding common shares of MPX (the "MPX Shares") pursuant to the terms of an arrangement agreement, as amended, among, inter alia, iAnthus and MPX dated October 18, 2018 (the "Arrangement Agreement"). Pursuant to the terms of the Arrangement Agreement, holders of MPX Shares received 0.1673 common shares of iAnthus for each MPX Share held. In addition, each MPX shareholder received 0.1 common shares of MPXI. The Corporation's shares commenced trading on February 6, 2019.

Description of the business

MPXI is a multinational diversified cannabis company focused on developing and operating assets across the global cannabis industry with an emphasis on cultivating, manufacturing and marketing products that include cannabinoids as their primary active ingredient. MPXI's registered office is located at 5255 Yonge Street, Suite 701, Toronto, ON, M2N 6P4, Canada.

2. Basis of preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard 34 Interim Financial Reporting ("IAS 34"), in accordance with subparagraph 3.2(1) (b) of NI 52-107.

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on May 29, 2019.

Basis of measurement and impact of the Arrangement

These unaudited interim condensed consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and contingent consideration measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Transactions occurring prior to the Arrangement on February 5, 2019 were derived from the accounting records of MPX. The financial information up to February 5, 2019 is intended to be representative of the entities had MPXI been operating them as a stand-alone entity, subject to MPX's control, during this time. The financial information related to this period has been prepared by MPXI's management in accordance with IFRS and requires the use of significant judgments made in allocating reported amounts related to MPX. In the opinion of management, these unaudited interim condensed consolidated financial statements reflect all adjustments necessary to present fairly the unaudited interim condensed consolidated statements of financial position and the unaudited interim condensed consolidated statements of net loss and comprehensive loss in accordance with IFRS. However, they may not reflect MPXI's financial position or results of operations had the Corporation been operating in its current structure for the reporting periods presented in these unaudited interim condensed consolidated financial statements, during which time it was a subsidiary of MPX.

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

2. Basis of preparation (continued)

Presentation of the unaudited interim condensed consolidated statements of financial position

The transfer of assets and liabilities from MPX to MPXI was recorded by the Corporation at the carrying amounts recorded in MPX's unaudited interim condensed consolidated statement of financial position at the time of the transfer.

Presentation of the unaudited interim condensed consolidated statements of loss and comprehensive loss

All revenue and operating expenses on the unaudited interim condensed consolidated statements of loss and comprehensive loss are directly attributable to MPXI. General and administrative expenses recorded prior to the Arrangement have been determined based on actual MPX expenses. Share-based compensation recorded by MPX up to the Arrangement date has been allocated to MPXI based on the percentage of the direct time charged to MPXI. From the Arrangement date to March 31, 2019 amounts recorded for expenses are based on amounts incurred by MPXI. See Note 18 for details of expenses by nature.

Presentation of the unaudited interim condensed consolidated statements of changes in equity

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

Presentation currency

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

Basis of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Corporation and the following entities which are controlled by the Corporation:

Entity	Place of incorporation	Functional currency	Effective ownership	Accounting treatment
8423695 Canada Inc. ("Canveda")	Ontario, Canada	CAD	100%	Combination
CinG-X Corporation ("CinG-X")	Ontario, Canada	CAD	100%	Combination
Salus Biopharma Corporation ("Salus Biopharma")	Nevada, USA	USD	100%	Combination
Biocannabis Products Ltd. ("Biocannabis")	Ontario, Canada	CAD	100%	Combination
Spartan Wellness Corporation ("Spartan")	Ontario, Canada	CAD	100%	Combination
MPX Bioceutical Australia Ltd. ("MPA")	Australia	AUD	50%	Equity method

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

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies**(a) Foreign currency transactions and translation**

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

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

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

(b) Cash

Cash includes cash on hand and balances with banks.

(c) Biological assets

The Corporation measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Agricultural produce consisting of cannabis is measured at fair value less cost to sell at the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Gains or losses arising from changes in fair value less cost to sell during the year, including the impact on the carrying amount of inventory, are included in the unaudited interim condensed consolidated statements of net loss and comprehensive loss of the related period.

(d) Inventory

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

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)

(e) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation commences when the assets are available for use and is charged to the income statement on a straight-line basis over its useful life as outlined below:

Equipment	7 years
Furniture and fixtures	7 years
Leasehold improvements	lesser of lease term and useful life

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

(f) Leases

Leases that do not transfer to the Corporation substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. These operating leased assets are not recognized in the Corporation's statement of financial position. Operating lease payments are recognized in the unaudited interim condensed consolidated statement of net loss and comprehensive loss on a straight-line basis over the lease term.

Lease inducements are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

(g) Joint venture

The Corporation accounts for joint ventures using the equity method of accounting under IAS 28 – Investments in Associates and Joint Ventures ("IAS 28"). The initial investment in the joint venture is recognised at cost and adjusted thereafter to recognise the Corporation's proportionate share of the joint venture's profit (loss) and other comprehensive income (loss).

(h) Intangible assets

The Corporation's intangible asset is a cultivation license under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"), related to the acquisition of Canveda described in Note 4. The Corporation's intangible asset is recorded at cost less accumulated amortization and accumulated impairment losses. It is amortized on a straight-line basis over its estimated useful life. The useful life of the license is estimated to be 20 years.

(j) Goodwill

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

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)**(k) Revenue recognition**

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Corporation's activities. Revenue is shown net of returns and discounts.

Revenue from the sale of inventory is recognized when the Corporation has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the economic benefits of the transaction will flow to the Corporation. Significant risks and rewards are generally considered to be transferred when the Corporation has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

(l) Share-based compensation

The fair value of share-based payments granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in equity. For equity-settled share-based payment transactions with non-employees, the Corporation measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Corporation measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For equity-settled share-based payment transactions with employees and other providing similar services, the fair value is measured at the grant date and recognized over the period during which the share-based payments vest. The fair value of the share-based payments granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share-based payments were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share-based payments that are expected to vest.

(m) Loss per share

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

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)**(n) Income taxes**

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

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

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

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

(o) Contingent consideration

Contingent consideration is recorded at the acquisition-date fair value as part of the consideration transferred in exchange for the acquiree in a business combination. Contingent consideration classified as equity shall not be remeasured. Other contingent consideration shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

(p) Financial instruments

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

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

Financial assets

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

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)

(p) Financial instruments (continued)

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at FVTPL or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Classification of financial instruments

The Corporation classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial assets:	Classification:
Cash	Loans and receivables
Accounts receivable and deposits	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Contingent consideration	FVTPL

Impairment of financial assets

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

Fair value hierarchy

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

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)**(q) Impairment of non-financial assets**

Non-financial assets include property, plant and equipment, intangible assets and goodwill. The Corporation's intangibles with finite lives are reviewed for an indication of impairment at each balance sheet date. Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss. An impairment loss, other than goodwill impairment, is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(r) Critical accounting estimates and judgements

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

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Valuation of biological assets and inventory

The Corporation values its biological assets at the end of each reporting period at the fair value less costs to sell. The Corporation uses observable market data where available. In locations where there are no active markets for cannabis plants at the point of harvest, the valuation is determined using a valuation technique that uses inputs that are based on unobservable market data (Level 3).

The fair value of biological assets is determined based on the stage of growth and is estimated by determining the selling price of the finished product less costs to sell, and then attributing to the biological assets based on the stage of growth. Refer to Note 7 for further information.

Estimated useful lives and depreciation of property and equipment and intangible assets

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

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)

(r) Critical accounting estimates and judgements (continued)

Business combinations

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Corporation may rely on independent third party valuers. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

The Corporation measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements.) The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

New standards and interpretations adopted

MPXI has applied the following new and revised IFRSs:

IFRS 9 – Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") and will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, FVTPL and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 introduces an 'expected credit loss' model for the impairment of financial assets. The measurement of the MPXI's financial assets and liabilities will not significantly change on transition to IFRS 9. Additionally, MPXI is exposed to minimal expected credit losses due to the fact that it has an insignificant amount of accounts receivable. MPXI has adopted the amendments to IFRS 9 in its unaudited interim condensed consolidated financial statements for the period beginning on October 1, 2018 with no resulting adjustments.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and must be applied retrospectively. IFRS 15 will replace the current revenue recognition guidance under IAS 18 – Revenue. Under IFRS 15, MPXI has determined that revenue will be recognized at point of sale for retail customers and at point of shipment of for wholesale customers which is consistent with MPXI's revenue recognition policy under IAS 18. The amount of revenue considering discounts, rebates and variable consideration recognized from this revenue stream is unaffected. As a result, MPXI has determined that this new pronouncement will not have a significant impact on its financial statements. The Corporation adopted the amendments to IFRS 15 in its unaudited interim condensed consolidated financial statements with no resulting adjustments.

MPX International Corporation

Notes to the interim condensed consolidated financial statements (unaudited)

(in Canadian dollars)

March 31, 2019

3. Significant accounting policies (continued)

New standards and interpretations not yet adopted

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. MPXI is assessing the potential impact of IFRS 16.

4. Acquisitions

Acquisition of the Canveda Company

On June 7, 2018 the Corporation entered into the definitive purchase agreement effective June 8, 2018 to acquire 100% of the issued and outstanding commons shares of 8423695 Canada Inc. operating as Canveda (the "Canveda Acquisition") by paying the purchase price of (i) \$3,120,000 (USD \$2,407,036) in cash, (ii) \$19,071,428 (USD \$14,713,338) through the issuance of 21,428,571 common shares of MPX issued at a price of \$0.89 and (iii) \$4,030,898 (USD \$3,109,781) in the issuance of 6,000,000 common share purchase warrants each exercisable into one (1) common share at an exercise price of \$0.84 for a period of five (5) years from the date of issuance. The Corporation incurred \$252,921 of transaction costs and \$22,538 was paid in form of cash. The remaining \$230,383 was paid through the issuance of 258,857 commons shares on the date of acquisition.

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

Cash	\$ 738
Amounts receivable	90,336
Prepays	67,389
Property, plant and equipment	3,263,975
Intangible asset	23,066,749
Accounts payable and accrued liabilities	<u>(13,940)</u>
Net assets acquired	<u>\$ 26,475,247</u>
Cash	\$ 3,120,000
Common shares	19,071,428
Warrants	4,030,898
Transaction cost	<u>252,921</u>
Total consideration paid for acquisition	<u>\$ 26,475,247</u>

Acquisition of Spartan Wellness Corporation

On October 22, 2018, the Corporation completed the acquisition of 100% of the outstanding shares in the capital of Spartan Wellness Corporation by paying a total purchase price of up to \$6,000,000 comprised of the following consideration and based upon the achievement of certain milestones (i) up to \$4,500,000 satisfied through the issuance of 4,687,500 common shares in the capital of MPX issued at a price of \$0.96 per MPX Share; and (ii) up to \$1,500,000 satisfied through the issuance of 1,304,348 common share purchase warrants each exercisable into one MPX Share at an exercise price of \$1.15 for a period of three years from the closing date.

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

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4. Acquisitions (continued)*Acquisition of Spartan Wellness Corporation (continued)*

The Corporation also agreed to pay a finder's fee equal to 5% of the MPX Shares issued to the Sellers at the deemed price of \$0.96 per MPX Share as well as Warrants exercisable at \$1.15 per MPX for a period of three years.

The Spartan Acquisition has been accounted for as a business combination. The following table summarizes the allocation of the purchase price of \$4,975,481 to the identifiable assets and liabilities of the acquisition on October 22, 2018. The assets acquired and liabilities assumed were recorded at their fair values.

Amounts receivable	\$ 3,703
Goodwill	5,007,730
Accounts payable and accrued liabilities	<u>(35,952)</u>
Net assets acquired	<u>\$ 4,975,481</u>
Common shares	\$ 988,542
Warrants	130,663
Contingent consideration (Note 14)	3,900,087
Transaction cost	<u>(43,811)</u>
Total consideration paid for acquisition	<u>\$ 4,975,481</u>

5. Accounts receivable

	March 31, 2019	September 30, 2018
Trade receivables	\$ 160,491	\$ 58,887
Other receivables	481,622	25,117
HST receivable	<u>252,981</u>	<u>247,210</u>
	<u>\$ 895,094</u>	<u>\$ 331,214</u>

Bad debt expense for the three and six months ended March 31, 2019 was \$Nil. Accounts receivable more than 90 days past due totalled \$7,718 at March 31, 2019.

6. Inventory

	March 31, 2019	September 30, 2018
Dry cannabis		
Finished goods	\$ 53,684	\$ -
Work-in-process	<u>189,891</u>	<u>-</u>
	<u>243,575</u>	-
Products for resale	46,306	66,286
Seeds	<u>101,372</u>	<u>-</u>
	<u>\$ 391,253</u>	<u>\$ 66,286</u>

As at March 31, 2019, the Corporation held 63,871 grams of dry cannabis (17,251 grams of finished goods, 46,620 grams of work-in-process) (September 30, 2018 – Nil grams (Nil grams of finished goods, Nil grams of work-in-process)).

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

7. Biological assets

Biological assets consist of cannabis on plants and biological assets. The changes in the carrying value of biological assets for the period ended March 31, 2019 are as follows:

	March 31, 2019	September 30, 2018
Balance, beginning of period	\$ 40,552	\$ -
Net increase in fair value less cost to sell due to biological transformation	349,904	11,277
Net increase in biological assets due to due to capitalized costs	103,269	29,275
Transferred to inventory upon harvest	(86,498)	-
Balance, end of period	\$ 407,227	\$ 40,552

As at March 31, 2019, included in the carrying amount of biological assets was \$407,227 (September 30, 2018 – \$40,552) in live plants.

Management has made the following estimates in the model:

- Average number of days in the growing and processing cycle;
- Average harvest yield, which incorporates estimates around wastage;
- Average selling price, which varies depending on strains;
- Standard costs to grow and process; and
- Average costs to sell.

In Management's view, the following are significant unobservable inputs into the model:

Significant unobservable inputs	Range	Average	Sensitivity
Average harvest yield, which incorporates estimates around wastage	99 grams per plant	99 grams per plant	A slight increase in the expected yield per plant would result in a significant increase in fair value, and vice versa
Average selling prices, which varies depending on strains	\$2.21 to \$5.68 per gram	\$3.95 per gram	A slight increase in the selling price per strain would result in a significant increase in fair value, and vice versa
Standard costs	\$0.56 per gram	\$0.56 per gram	Standard costs are used to attribute fair value based on the plant's stage of growth. Changes to standard costs relative to the plant's stage of growth may increase or decrease fair value.
Stage of growth	1 to 15 weeks	15 weeks	Standard costs are used to attribute fair value based on the plant's stage of growth. Changes to standard costs relative to the plant's stage of growth may increase or decrease fair value.

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at March 31, 2019, it is expected that the Corporation's biological assets will yield approximately 294,614 grams (September 30, 2018 – 40,410 grams) of medical cannabis for processing when harvested. The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

7. Biological assets (continued)

The effect of changes in the fair value of biological assets and inventory during the periods ended March 31, 2019 and September 30, 2018 is as follows:

	<u>March 31,</u> <u>2019</u>	September 30, 2018
Unrealized change in fair value of biological assets	\$ 349,904	\$ 11,277
Realized fair value increments on inventory sold during the period	<u>-</u>	<u>-</u>
Net effect of changes in fair value of biological assets and inventory	<u>\$ 349,904</u>	<u>\$ 11,277</u>

8. Property, plant and equipment

<u>Gross carrying amount</u>	<u>Leasehold</u> <u>improvements</u>	<u>Equipment</u>	<u>Furniture and</u> <u>Fixtures</u>	<u>Total</u>
Balance, October 1, 2018	\$ 2,612,762	\$ 1,263,237	\$ 10,922	\$ 3,886,921
Additions	92,025	53,351	-	145,376
Disposals	-	(132,693)	(1,200)	(133,893)
Net exchange differences	(1,588)	-	117	(1,471)
Balance, March 31, 2019	<u>\$ 2,703,199</u>	<u>\$ 1,183,895</u>	<u>\$ 9,839</u>	<u>\$ 3,896,933</u>
<u>Depreciation</u>				
Balance, October 1, 2018	\$ (558,060)	\$ (51,375)	\$ (2,126)	\$ (611,561)
Depreciation *	(171,327)	(98,850)	(694)	(270,871)
Disposals	-	19,715	59	19,774
Net exchange differences	4,313	-	-	4,313
Balance, March 31, 2019	<u>\$ (725,074)</u>	<u>\$ (130,510)</u>	<u>\$ (2,761)</u>	<u>\$ (858,345)</u>
Carrying amount March 31, 2019	<u>\$ 1,978,125</u>	<u>\$ 1,053,385</u>	<u>\$ 7,078</u>	<u>\$ 3,038,588</u>
Carrying amount September 30, 2018	<u>\$ 2,054,702</u>	<u>\$ 1,211,862</u>	<u>\$ 8,796</u>	<u>\$ 3,275,360</u>

* \$46,381 of the depreciation charged for the period has been capitalized in biological assets at March 31, 2019.

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

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9. Intangible assets

<u>Gross carrying amount</u>	<u>Licenses</u>	<u>Total</u>
Balance, October 1, 2018	\$ 23,066,749	\$ 23,066,749
Additions	-	-
Balance, March 31, 2019	<u>\$ 23,066,749</u>	<u>\$ 23,066,749</u>
<u>Amortization and impairment</u>		
Balance, October 1, 2018	\$ -	\$ -
Amortization for the period	<u>144,167</u>	<u>144,167</u>
Balance, March 31, 2019	<u>\$ 144,167</u>	<u>\$ 144,167</u>
Carrying amount March 31, 2019	<u>\$ 22,922,582</u>	<u>\$ 22,922,582</u>
Carrying amount September 30, 2018	<u>\$ 23,066,749</u>	<u>\$ 23,066,749</u>

10. Goodwill

The effect of changes in the goodwill for the period ended March 31, 2019 is as follows:

	<u>March 31, 2019</u>	<u>September 30, 2018</u>
Balance, beginning of period	\$ -	\$ -
Business combination (Note 4)	<u>5,007,730</u>	-
Balance, end of period	<u>\$ 5,007,730</u>	<u>\$ -</u>

11. Joint venture

The Corporation entered into the below joint venture on July 27, 2018. The joint venture is accounted for using the equity method in these unaudited interim condensed consolidated financial statements.

<u>Name of joint venture</u>	<u>Principal place of business</u>	<u>Proportion of ownership and voting rights held</u>
MPX Bioceutical Australia Ltd	Australia	As of March 31, 2019 – 50%

The effect of changes in the joint venture due to recognition of our share of MPX Australia Ltd losses for the 6 months ended March 31, 2019 and the year ended September 30, 2018 is as follows:

	<u>March 31, 2019</u>	<u>September 30, 2018</u>
Balance, beginning of period	\$ 96,340	\$ -
Initial investment	-	140,340
Share of losses	<u>(72,477)</u>	<u>(45,453)</u>
Net exchange differences	<u>1,237</u>	<u>1,453</u>
Balance, end of period	<u>\$ 25,100</u>	<u>\$ 96,340</u>

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

12. Accounts payable and accrued liabilities

	March 31, 2019	September 30, 2018
Trade payables	\$ 111,380	\$ 31,642
Accrued liabilities	1,032,955	115,520
Sales tax payable	<u>43,224</u>	<u>-</u>
	<u>\$ 1,187,559</u>	<u>\$ 147,162</u>

13. Income tax payable

	March 31, 2019	September 30, 2018
Income tax payable, current year	\$ <u>11,278</u>	\$ -
	<u>\$ 11,278</u>	<u>\$ -</u>

14. Contingent consideration

As part of the agreement to acquire all of the the outstanding shares of Spartan Wellness Corporation as outlined in Note 4, the Corporation has committed to providing the sellers with common shares and warrants based on the achievement of agreed sales milestones.

Based on current trends and historical monthly sales, the Corporation expects these milestones to be achieved. The Corporation has measured the contingent consideration based on all milestones being achieved in advance of the expiry of the agreement in October 2022. As at March 31, 2019, the Corporation has estimated the liability at \$3,986,286 (September 30, 2018 - Nil) on the unaudited interim condensed consolidated statement of financial position. The Corporation has used the present value method at a discount rate of 8% to measure this liability as at March 31, 2019. The fair value of the shares is estimated using the quoted share price of \$0.71 on March 31, 2019. The fair value of the warrants is estimated using the Black Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatilities between 81.91% - 84.72; (iii) risk free interest rates between 1.54% - 1.55%; (iv) share price of \$0.71; forfeiture rate of 0; and (v) expected life between 1.31 – 2.56 years. The expected volatilities are based on the historical trading prices of similar companies.

	<u>Discount rate</u>	<u>March 31, 2019</u>	<u>September 30, 2018</u>
Present value of expected repayments	8.00%	\$ 3,986,286	\$ -
Less: current portion		<u>1,600,896</u>	<u>-</u>
		<u>\$ 2,385,390</u>	<u>\$ -</u>

The Corporation's expected repayments are follows:

2019	\$ 1,600,896
2020	<u>2,385,390</u>
	<u>\$ 3,986,286</u>

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

15. Share capital**a) Authorized**

Unlimited number of common shares without par value

b) Common shares issued

	Number of common shares	Value
Balance, September 30, 2018	-	\$ -
Issued pursuant to the Arrangement	45,304,966	31,921,220
Shares issued on private placement (a)	56,042,421	26,905,163
Allocated to warrants (a)	-	(11,277,103)
Share issuance costs	-	(117,271)
Exercise of options	1,078,576	-
Exercise of warrants	1,040,461	-
Balance, March 31, 2019	103,476,424	\$ 47,432,009

- (a) On March 25, 2019, the Corporation completed a private placement for gross proceeds of \$26,905,162 through the issuance of 56,042,421 units (the "Units") at a price of \$0.48 per Unit (the "Offering"). Each Unit issued in the Offering consists of one MPXI Share and one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of \$0.55 per MPXI Share for a period of 5 years.

16. Stock options

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

The following table shows the continuity of options:

	Number of options	Weighted average exercise price
Balance, September 30, 2018	-	\$ -
Granted pursuant to the Arrangement	2,432,826	-
Granted (a)	3,175,000	0.59
Exercised	(1,078,576)	-
Balance, March 31, 2019	4,529,250	\$ 0.41

- (a) On February 26, 2019, the Corporation granted 3,175,000 stock options to employees, directors and consultants of the Corporation at an exercise price of \$0.59 per MPXI Share and expiring on February 26, 2024. The fair value of the options has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 92.36%; (iii) risk-free interest rate of 1.77%; (iv) share price of \$0.59; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. 2,950,000 of the stock options vested immediately and the remaining 225,000 stock options shall vest on February 26, 2020.

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

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16. Stock options (continued)

The following table reflects the outstanding stock options as at March 31, 2019:

Number of options	Remaining life (years)	Average exercise price	Expiry date
1,354,250	0.10	\$ -	May 6, 2019
3,175,000	4.91	0.59	Feb 26, 2024
<u>4,529,250</u>	<u>2.51</u>	<u>\$ 0.41</u>	

17. Warrants

	Number of warrants	Amount
Balance, September 30, 2018	-	\$ -
Granted pursuant to the Arrangement	5,701,507	-
Private placement (a)	56,052,421	11,277,103
Granted (b)	12,799	9,727
Exercised	<u>(1,040,461)</u>	<u>(9,727)</u>
Balance, March 31, 2019	<u>60,726,266</u>	<u>\$ 11,277,103</u>

- (a) On March 25, 2019, the Corporation completed a private placement for gross proceeds of \$26,905,162 through the issuance of 56,042,421 units (the "Units") at a price of \$0.48 per Unit (the "Offering"). Each Unit issued in the Offering consists of one MPXI Share and one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of \$0.55 per MPXI Share for a period of 5 years. The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 91.88%; (iii) risk-free interest rate of 1.56%; (iv) share price of \$0.66; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies.
- (b) On March 20, 2019, the Corporation granted 12,799 warrants to a consultant of the Corporation as part of a warrant exercise. The warrants have an exercise price of \$Nil per MPXI Share and expire on February 25, 2021. The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 81.17%; (iii) risk-free interest rate of 1.61%; (iv) share price of \$0.76; forfeiture rate of 0; and (v) expected life of 2.18 years. The expected volatility is based on the historical trading prices of similar companies. All of these warrants were exercised immediately.

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

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17. Warrants (continued)

The following table reflects the outstanding warrants as at March 31, 2019:

	Number of warrants	Exercise price	Expiry date
	352,592	\$ -	Dec 07, 2019
	1,629,662	-	Dec 22, 2019
	412,015	-	May 25, 2021
	11,411	-	Oct 22, 2021
	1,001,831	-	Jan 19, 2022
	16,349	-	May 05, 2022
	180,000	-	Oct 30, 2022
	470,000	-	Mar 02, 2023
	599,985	-	Jun 08, 2023
	<u>56,052,421</u>	<u>0.60</u>	<u>Mar 21, 2024</u>
	<u>60,726,266</u>	<u>\$ 0.56</u>	

18. General and administrative

	Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Occupancy costs	\$ 121,089	\$ 66,464	\$ 211,352	\$ 133,520
Consulting fees	712,086	(5,941)	832,485	6,632
Office and general	249,232	46,038	507,208	51,822
Repairs and maintenance	27,883	-	31,463	-
Salaries and benefits	477,151	56,686	674,993	79,676
Project costs	34,201	(21,252)	69,515	(21,252)
Sales and marketing	241,683	18,866	317,645	32,068
Regulatory expenses	<u>53,019</u>	<u>(3,695)</u>	<u>86,697</u>	<u>(3,523)</u>
	<u>\$ 1,916,284</u>	<u>\$ 157,166</u>	<u>\$ 2,731,358</u>	<u>\$ 278,943</u>

19. Related party transactions

Related party transactions not disclosed elsewhere are summarized below:

For the three and six months ended March 31, 2019, key management and directors of the Corporation subscribed to 11,487,645 of the total 56,052,421 units issued as part of a private placement, representing an investment amount of \$5,514,070.

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

	Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Salaries and benefits	\$ 216,514	\$ 30,739	\$ 436,034	\$ 61,478
Share-based compensation	<u>818,669</u>	<u>43,868</u>	<u>818,669</u>	<u>87,735</u>
	<u>\$ 1,031,183</u>	<u>\$ 74,607</u>	<u>\$ 1,254,703</u>	<u>\$ 149,213</u>

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

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March 31, 2019

19. Related party transactions (continued)

The above noted transactions are in the normal course of business and are measured at the exchange amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At March 31, 2019, each of the directors with control of less than 10% of the common shares of the Corporation collectively control 14,607,134 common shares of the Corporation or approximately 14.12% of the total common shares outstanding.

20. Commitments and contingencies*Leases*

The Corporation's minimum lease payments are as follows:

2019	\$	207,848
2020		408,751
2021		386,086
2022		400,438
2023		413,436
2024 and beyond		<u>1,105,494</u>
	\$	<u>2,922,053</u>

21. Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity. The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2019. The Corporation is not subject to any external capital requirements.

22. Supplemental cash flow information

Non-cash transactions:

	March 31, 2019	March 31, 2018
Consulting fees settled via equity instruments	\$ 150,737	\$ -
Share based compensation	1,230,376	89,090
Equity instruments issued for acquisition of Spartan Wellness Corporation	1,075,934	-

MPX International Corporation**Notes to the interim condensed consolidated financial statements (unaudited)**

(in Canadian dollars)

March 31, 2019

23. Segmented information

The Corporation currently operates substantially entirely in one segment, the production and sale of medical and adult use cannabis.

Non-current assets located outside of Canada total \$44,098 and are made up of deposits.

All revenues generated during the period ended March 31, 2019 were done so within Canada.

24. Subsequent events

- (a) On May 21, 2019 the Corporation announced that it had completed the acquisition of all of the outstanding shares of HolyWorld SA ("HolyWeed") for a total purchase price of CHF10,000,000 (CA \$13,384,000 calculated using a deemed exchange rate of CA \$1.34 for each CHF 1.00) (the "Purchase Price"). Pursuant to the terms of the definitive agreement, MPXI satisfied the Purchase Price through the issuance of 25,252,830 common shares of MPXI (the "MPXI Shares") to the Shareholders at price of CA \$0.53 per MPXI Share. 80% of the MPXI shares issued to the shareholders of HolyWeed will be placed in a voluntary escrow to be released to the shareholders upon the occurrence of the following:
1. 20% of the MPXI Shares issued will be released upon the official launch and sale of cannabidiol oil on the HolyWeed eCommerce Platform;
 2. 20% of the MPXI Shares issued will be released upon confirmation of an annualized revenue run-rate of CHF 5,000,000; and
 3. 40% of the MPXI Shares issued will be released upon confirmation of achieved EBITDA of CHF1,600,000 for the twelve month trailing period.

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