

---

# **MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES**

**UNAUDITED CONDENSED INTERIM COMBINED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

**(EXPRESSED IN UNITED STATES DOLLARS)**

---

## **NOTICE TO READER**

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

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

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**MM Technology Holdings, LLC and Affiliates**  
**Unaudited Condensed Interim Combined Financial Statements**

**SEPTEMBER 30, 2020 AND 2019**

**Unaudited Condensed Interim Combined Financial Statements**

Unaudited Condensed Interim Combined Statements of Financial Position	1
Unaudited Condensed Interim Combined Statements of Operations	2
Unaudited Condensed Interim Combined Statements of Changes in Members' Deficit	3
Unaudited Condensed Interim Combined Statements of Cash Flows	4
<b>Notes to the Unaudited Condensed Interim Combined Financial Statements</b>	<b>5 - 15</b>

**MM Technology Holdings, LLC and Affiliates**  
**Unaudited Condensed Interim Combined Statements of Financial Position**  
**As of September 30, 2020 and December 31, 2019**  
**(Expressed in United States Dollars)**

	September 30, 2020	December 31, 2019 (Audited)
	\$	\$
<b>ASSETS</b>		
Current		
Cash	2,444,311	1,364,220
Trade and other receivables, net (Note 4)	1,811,528	1,831,743
Due from license partners	1,797,851	960,658
Inventory (Note 5)	1,745,457	2,774,822
Prepaid expenses and deposits	232,094	249,399
Right-of-use assets, net - current (Note 9)	263,378	328,655
<b>Total current assets</b>	<b>8,294,619</b>	<b>7,509,497</b>
Property, plant and equipment, net (Note 6)	2,938,287	3,176,032
Intangible assets, net (Note 7)	81,050	95,300
Right-of-use assets, net (Note 9)	1,095,289	1,095,289
Deferred income tax asset	253,040	250,866
<b>Total assets</b>	<b>12,662,285</b>	<b>12,126,984</b>
<b>LIABILITIES</b>		
Current		
Loans from members - current (Note 11)	17,385,000	16,935,000
Accounts payable and accrued liabilities (Note 8)	6,237,949	5,302,200
Due to license partners	—	36,684
Membership redemption notes payable - current	—	500,000
Lease obligations - current (Note 9)	339,896	284,751
<b>Total current liabilities</b>	<b>23,962,845</b>	<b>23,058,635</b>
Membership redemption notes payable	6,003,384	6,003,384
Lease obligations (Note 9)	1,066,656	1,215,391
<b>Total liabilities</b>	<b>31,032,885</b>	<b>30,277,410</b>
<b>MEMBERS' EQUITY (DEFICIT)</b>	<b>(18,370,600)</b>	<b>(18,150,426)</b>
<b>Total liabilities and members' equity (deficit)</b>	<b>12,662,285</b>	<b>12,126,984</b>
Nature of operations (Note 1)		
Going concern (Note 1)		
Subsequent events (Note 16)		

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

**MM Technology Holdings, LLC and Affiliates**  
**Unaudited Condensed Interim Combined Statements of Operations and Comprehensive Loss**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**  
**(Expressed in United States Dollars)**

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
	\$	\$	\$	\$
Sales Revenue	3,878,161	4,579,902	11,038,817	12,771,369
Licensing Revenue	2,670,064	2,283,732	8,275,172	4,426,891
<b>Total Revenue</b>	<b>6,548,225</b>	<b>6,863,634</b>	<b>19,313,989</b>	<b>17,198,260</b>
Cost of goods sold	1,432,764	3,358,826	5,104,190	9,070,620
Cost of licensing revenue	1,016,248	2,121,020	4,988,243	4,680,952
<b>Gross profit</b>	<b>4,099,213</b>	<b>1,383,788</b>	<b>9,221,556</b>	<b>3,446,688</b>
<b>Expenses</b>				
Selling and distribution expenses	681,884	1,568,455	2,755,820	4,094,073
General and administrative expenses (Note 13)	998,006	1,915,555	3,861,586	5,014,731
Depreciation and amortization expense	195,485	107,748	594,346	259,602
<b>Total expenses</b>	<b>1,875,375</b>	<b>3,591,758</b>	<b>7,211,752</b>	<b>9,368,406</b>
<b>Income (Loss) from operations</b>	<b>2,223,838</b>	<b>(2,207,970)</b>	<b>2,009,804</b>	<b>(5,921,718)</b>
<b>Other (Income) Expenses</b>				
Transaction related bonus	—	—	—	1,000,000
Interest expense on lease obligations	34,280	—	101,036	—
Finance cost	555,684	473,295	1,662,820	761,323
Other (income) expenses	(61,316)	(1,682)	(53,251)	(1,683)
<b>Total other (income) expenses</b>	<b>528,648</b>	<b>471,613</b>	<b>1,710,605</b>	<b>1,759,640</b>
<b>Loss before income tax expenses</b>	<b>1,695,190</b>	<b>(2,679,583)</b>	<b>299,199</b>	<b>(7,681,358)</b>
Current income tax expense	(275,320)	(268,538)	(519,373)	(702,655)
<b>Net income (loss)</b>	<b>1,419,870</b>	<b>(2,948,121)</b>	<b>(220,174)</b>	<b>(8,384,013)</b>

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

**MM Technology Holdings, LLC and Affiliates**  
**Unaudited Condensed Interim Combined Statements of Changes in Members' Deficit**  
**For the Nine Months ended September 30, 2020 and 2019**  
**(Expressed in United States Dollars)**

	\$
<b>Balance as of December 31, 2018 (Audited)</b>	<b>2,223,462</b>
Membership redemption	(9,593,619)
Net loss	(8,384,013)
<b>Balance as of September 30, 2019</b>	<b>(15,754,170)</b>
<b>Balance as of December 31, 2019 (Audited)</b>	<b>(18,150,426)</b>
Membership redemption	—
Net loss	(220,174)
<b>Balance as of September 30, 2020</b>	<b>(18,370,600)</b>

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

**MM Technology Holdings, LLC and Affiliates**  
**Unaudited Condensed Interim Combined Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2020 and 2019**  
**(Expressed in United States Dollars)**

	For the nine months ended September 30, 2020 \$	For the nine months ended September 30, 2019 \$
<b>OPERATING ACTIVITIES</b>		
Net loss	(220,174)	(8,384,013)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	594,346	259,602
Bad debts	31,658	137,152
<b>Changes in operating assets and liabilities:</b>		
Trade and other receivables	(11,443)	(993,564)
Inventory	1,029,365	(1,915,752)
Prepaid expenses and deposits	17,305	(117,365)
Accounts payable and accrued liabilities	935,749	2,073,659
Due from licensing partner	(837,193)	(622,116)
Due to licensing partner	(36,684)	(352,632)
Deferred income tax liability	(2,174)	(13,904)
<b>Cash provided (used) by operating activities</b>	<b>1,500,755</b>	<b>(9,928,933)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of intangible assets	—	(100,279)
Purchase of property, plant and equipment	(63,706)	(799,100)
<b>Cash used in investing activities</b>	<b>(63,706)</b>	<b>(899,379)</b>
<b>FINANCING ACTIVITIES</b>		
Payments on due to related parties	—	—
Payments on members' note	—	(350,000)
Payments on membership redemption notes payables	(500,000)	(2,740,235)
Loan proceeds from members	450,000	13,465,000
Redemption of membership interest	—	(100,000)
Payment of lease obligations	(306,958)	—
<b>Cash provided (used) by financing activities</b>	<b>(356,958)</b>	<b>10,274,765</b>
<b>Net change in cash during the period</b>	<b>1,080,091</b>	<b>(553,547)</b>
<b>Cash, beginning of the period</b>	<b>1,364,220</b>	<b>1,789,618</b>
<b>Cash, end of the period</b>	<b>2,444,311</b>	<b>1,236,071</b>

*Supplemental cash flow information:*

<i>Interest paid</i>	(7,444)	(20,632)
<i>Income tax paid</i>	(41,288)	(472,343)

**Non-Cash Transaction**

Redemption of membership interest with notes payable was \$9,493,619 for the nine months ended September 30, 2019.

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

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

---

**1. NATURE OF OPERATIONS**

These unaudited condensed interim combined financial statements present the business of MM Technology Holdings, LLC and affiliates (MM Technology), representing the activities, assets and liabilities of its wholly owned subsidiary Ironton Properties, LLC (Ironton); Mary's Medicinals, LLC, and its wholly owned subsidiary, Mary's Management, LLC (Management) (collectively referred to as Medicinals); Mary's Tech CA, Inc. (Mary's CA), Mary's Nutritionals, LLC (Nutritionals); Mary's Operations, LLC (Operations); and Mary's Pets, LLC (Pets) that relate to or have been assigned to MM Technology; all these entities are collectively referred to as the Company.

The Company manufactures and distributes clinical-grade cannabis products in Colorado and California, licenses their cannabis products to be manufactured in states other than Colorado and California, and manufactures and distributes other plant-based products throughout the United States. All entities are combined due to common ownership and control.

The head office and principal address of the Company is located at 4985 Ironton Street Denver, CO 80239.

These unaudited condensed interim combined financial statements have been prepared on the going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2020, the Company has incurred an accumulated deficit of approximately \$18,371,000. The continued operations of the Company are dependent on its ability to generate future cash flows through additional financing or commercialization, which have been impacted as a result of the global outbreak of coronavirus ("COVID-19"). Management intends to continue to pursue additional financing through its members if required. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on the Company's ability to continue as a going concern.

These unaudited condensed interim combined financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and classifications used in the unaudited condensed statement of financial position. Such differences in amounts could be material.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

These unaudited condensed interim combined financial statements for the three and nine months ended September 30, 2020 (and comparative results for the three and nine months ended September 30, 2019) have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and therefore do not contain all disclosures required by International Financial Reporting Standards ("IFRS"). Accordingly, they do not include all the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim combined financial statements should be read in conjunction with the Company's combined financial statements for the years ended December 31, 2019 and 2018 and notes, and have been prepared using the same accounting policies described in Note 3 to the 2019 combined financial statements and notes.

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

---

## **2. BASIS OF PRESENTATION (Continued)**

### **2.2 Basis of presentation and measurement**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2020.

### **2.3 Covid-19 Pandemic**

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the nine months ended September 30, 2020, the pandemic did not have a material impact on the Company's operations. As of September 30, 2020, the Company also not observed any material impairments of its assets or a significant change in the fair value of assets due to the COVID-19 pandemic. The Company has taken steps to minimize the potential impact of the pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

## **3. CHANGES IN ACCOUNTING STANDARDS**

### **Changes in accounting standards**

Adoption of New Accounting Pronouncements Effective Jan 1, 2020:

- i) IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. These amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. During the period, the Company adopted these amendments and concluded that there was no significant impact on these condensed interim combined financial statements.

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**3. CHANGES IN ACCOUNTING STANDARDS (Continued)**

- ii) IFRS 3 – Definition of a Business. On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. During the nine months ended September 30, 2020, the Company adopted these amendments and concluded that there was no significant impact on these condensed interim combined financial statements.

**4. TRADE AND OTHER RECEIVABLES**

Accounts receivable are collateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Based on management’s review of balance an ECL amounting to \$399,127 (September 30, 2020) and \$353,400 (December 31, 2019) has been created. As of September 30, 2020 and December 31, 2019, accounts receivable and estimated credit losses consisted of the following:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Trade and other receivables	2,210,925	2,185,143
Expected Credit Loss	(399,397)	(353,400)
<b>Trade and other receivables, net</b>	<b>1,811,528</b>	<b>1,831,743</b>

**5. INVENTORY**

As of September 30, 2020 and December 31, 2019, the Company’s inventory includes the following:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Raw materials	1,044,371	1,700,378
Work in progress	—	—
Finished goods	701,086	1,074,444
<b>Total inventory</b>	<b>1,745,457</b>	<b>2,774,822</b>

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**6. PROPERTY, PLANT AND EQUIPMENT**

As of September 30, 2020 and December 31, 2019, property, plant and equipment consisted of the following:

	Land	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
As of December 31, 2019	212,148	2,032,712	1,253,273	27,707	324,192	202,965	4,052,997
Additions	—	—	52,945	9,292	—	—	62,237
Disposals	—	—	(3,586)	(7,079)	—	—	(10,665)
As of September 30, 2020	212,148	2,032,712	1,302,632	29,920	324,192	202,965	4,104,569
<b>Accumulated Depreciation</b>							
As of December 31, 2019	—	172,081	597,372	9,342	39,719	58,451	876,965
Depreciation	—	43,336	160,948	3,419	48,715	45,033	301,451
Depreciation on disposals	—	—	(9,196)	(2,938)	—	—	(12,134)
As of September 30, 2020	—	215,417	749,124	9,823	88,434	103,484	1,166,282
<b>Net book value</b>							
As of December 31, 2019	212,148	1,860,631	655,901	18,365	284,473	144,514	3,176,032
As of September 30, 2020	212,148	1,817,295	553,508	20,097	235,758	99,481	2,938,287

**7. INTANGIBLE ASSETS**

As of September 30, 2020 and December 31, 2019, intangible assets consisted of the following:

	License	Total
	\$	\$
<b>Cost</b>		
As of December 31, 2019	190,300	190,300
Additions	—	—
As of September 30, 2020	190,300	190,300
<b>Accumulated Amortization</b>		
As of December 31, 2019	95,000	95,000
Amortization	14,250	14,250
As of September 30, 2020	109,250	109,250
<b>Net book value</b>		
As of December 31, 2019	95,300	95,300
As of September 30, 2020	81,050	81,050

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As of September 30, 2020 and December 31, 2019, accounts payable and accrued liabilities consisted of:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	724,838	1,906,374
Credit card payable	12,751	173,595
Property tax payable	—	29,508
Accrued legal payable	32,400	32,400
Accrued payroll liabilities	243,501	254,011
Accrued interest payable	2,879,447	1,317,106
Federal and state income taxes payable	1,779,570	1,195,542
Excise tax payable	322,140	338,848
Accrued expenses	243,302	54,816
<b>Total accounts payable and accrued liabilities</b>	<b>6,237,949</b>	<b>5,302,200</b>

**9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS**

Right of use assets and lease obligations consisted of the following as of September 30, 2020 and December 31, 2019:

	<b>Right-of-use assets</b>	<b>Lease obligations</b>
	<b>\$</b>	<b>\$</b>
Book value at December 31, 2019	1,423,944	1,500,142
Additions	213,368	213,368
Depreciation and repayment	(278,645)	(306,958)
<b>Book value at September 30, 2020</b>	<b>1,358,667</b>	<b>1,406,552</b>

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in these unaudited condensed interim combined statements of financial position on January 1, 2020 is 8.66%.

As of September 30, 2020, the current obligation of lease and long-term lease obligations were \$339,896 and \$1,066,656, respectively.

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (Continued)**

The following table presents the contractual undiscounted cash flows for lease obligations as of September 30, 2020:

	\$
Within one year	421,571
One to two years	424,067
Two to three years	414,938
Three to four years	200,186
Thereafter	328,140
<b>Total undiscounted lease obligations</b>	<b>1,788,902</b>
Less: discount of lease obligations	(382,350)
<b>Total lease obligations, net</b>	<b>1,406,552</b>

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the unaudited condensed interim combined financial statements, related party transactions and balances are as follows:

During 2019, the Company purchased finished goods from a related party at distributor pricings to sell at wholesale prices. There were \$0 and approximately \$286,000 in purchases from this vendor for the nine months ended September 30, 2019 and September 30, 2020, respectively. Total revenue recorded under this agreement was approximately \$37,000 and \$366,000 for the nine months ended September 30, 2020 and 2019, respectively. Transactions were conducted at arm's length. In June 2020, the Company executed a new distribution agreement which superseded the September 2019 agreement. Distribution income earned under the new agreement was \$0 and approximately \$39,000 for the nine months ended September 30, 2019 and September 30, 2020, respectively.

During the nine months ended September 30, 2020 and September 30, 2019, the Company purchased raw materials from a related party at Arm's length. Total purchases from the related party were approximately \$1,670,000 and \$152,000 for the nine months ended September 30, 2019 and September 30, 2020, respectively. In February 2020, the Company paid a \$100,000 fee to terminate the purchasing agreement. The early termination fee was recorded within operating expenses.

Per the Third Amended and restated Operating Agreement dated July 20, 2017, the Company incurs a monthly management fee of \$16,667 commencing August 2018, payable to Rose Management Group, LLC, an affiliate of BR Brands. For the nine months ended September 30, 2020 and September 30, 2019, management fees were recorded within operating expenses and were approximately \$150,000 and \$150,000, respectively.

Remuneration of members and key management personnel, of the Company was as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Salaries and benefits to key management personnel	436,904	547,168
<b>Total</b>	<b>436,904</b>	<b>547,168</b>

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**11. LOAN FROM MEMBERS**

During 2019, a majority interest in the Company was purchased by BR Brands. Along with the purchase, the Company entered into various unsecured promissory notes during 2018, 2019, and 2020 with BR Brands. Interest on these notes accrues at 10% per annum through maturity, which is the earlier of May 24, 2020 or the date future capital contributions exceeds \$20,000,000. Effective May 20, 2020, the maturity date of these notes was extended to January 31, 2021. The balance on these notes was \$17,385,000 and \$16,935,000 as of September 30, 2020 and December 31, 2019, respectively. Accrued interest was approximately \$2,211,000 and \$916,000 as of September 30, 2020 and December 31, 2019, respectively. The Company and BR Brands intend to convert these notes to equity upon maturity.

**12. CAPITAL MANAGEMENT**

The Company defines capital to include its members' equity. The members have not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's principal objectives in managing capital are: (i) to ensure there is sufficient liquidity to fund its operations and capital projects; (ii) to be flexible to take advantage of opportunities that are expected to provide satisfactory returns; (iii) to maintain a strong capital base to ensure access to debt and capital markets on an as-needed basis; (iv) to provide an adequate rate of return to its members.

The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust its capital structure, the Company may issue debt or new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

**13. GENERAL AND ADMINISTRATIVE**

As of September 30, 2020 and 2019, General and administrative expenses were comprised of:

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
	\$	\$	\$	\$
Salaries and benefits	566,429	650,881	2,220,465	1,752,518
Professional and consulting fees	237,217	735,115	843,335	1,572,830
Travel	28,075	282,980	170,221	773,717
Office expenses	73,780	97,128	221,167	294,971
Insurance	41,793	56,733	203,731	188,925
Bad debts	5,920	5,565	31,658	137,152
Licenses and fees	805	4,275	4,970	10,632
Bank service charges	29,555	27,173	83,456	60,900
Dues & Subscription	5,202	4,654	8,798	10,369
Others	11	37,395	39,033	126,867
Utilities	9,219	13,656	34,752	85,850
<b>Total</b>	<b>998,006</b>	<b>1,915,555</b>	<b>3,861,586</b>	<b>5,014,731</b>

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

---

## **14. COMMITMENTS AND CONTINGENCIES**

### **Commitments**

Effective August 1, 2019, the Company reached an agreement with a former executive of the Company, in which the former executive is to provide consulting services as an independent contractor to the Company for one year in exchange for a fee of \$18,750 per month. Total expenses incurred under this agreement were approximately \$150,000 and \$38,000 for the nine months ended September 30, 2020 and September 30, 2019, respectively. The agreement terminated in August 2020 in accordance with the original terms.

### **Contingencies**

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company was in compliance with applicable local and state regulations of September 30, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

### **Claims and litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 30, 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's members, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

## **15. FAIR VALUE AND FINANCIAL RISK FACTORS**

### **(a) Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

## **15. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)**

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

**(a) Fair Value (Continued)**

The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values		Fair values
	FVTPL	Amortized cost	Total
<b>September 30, 2020</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	2,444,311	—	2,444,311
Trade and other receivables	—	1,811,528	1,811,528
	<b>2,444,311</b>	<b>1,811,528</b>	<b>4,255,839</b>
<b>December 31, 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	1,364,220	—	1,364,220
Trade and other receivables	—	1,831,743	1,831,743
	<b>1,364,220</b>	<b>1,831,743</b>	<b>3,195,963</b>

Financial liabilities	Carrying values		Fair values
	FVTPL	Amortized cost	Total
<b>September 30, 2020</b>		<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	—	6,237,949	6,237,949
Loan from members	—	23,388,384	23,388,384
		<b>29,626,333</b>	<b>29,626,333</b>
<b>December 31, 2019</b>		<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	—	5,302,200	5,302,200
Loan from members	—	23,438,384	23,438,384
		<b>28,740,584</b>	<b>28,740,584</b>

**15. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)**

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

---

***(a) Fair Value (Continued)***

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the external consultants that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Company policies and risk appetite statement.

***(b) Credit Risk***

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To address its credit risk arising from cash, deposits and accounts receivable, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company manages its credit exposure by performing significant upfront and ongoing credit assessment of its customers and a stringent collection policy, and the concentration of risk is not significant due to the diversified customer base. As of September 30, 2020 and December 31, 2019, the maximum amount exposed to credit risks was approximately \$4,347,000 and \$3,196,000 respectively.

***(c) Liquidity Risk***

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As of September 30, 2020, all trade payables and accrued liabilities are due within a year.

***(d) Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash, deposits and membership redemption notes. Cash and deposits bear interest at market rates. The Company's debts have fixed rates of interest. The Company reviews the interest rate on a regular basis as it does not use derivatives to hedge against interest rate risk.

***(e) Currency Risk***

The operating results and financial position of the Company are reported in United States dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of September 30, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company believes that the change in exchange rates will not have a significant impact on financial results.

**MM Technology Holdings, LLC and Affiliates**  
**Notes to the Unaudited Condensed Interim Combined Financial Statements**  
**For the Three and Nine Months Ended September 30, 2020 and 2019**

---

**16. SUBSEQUENT EVENTS**

On April 22, 2020, BR Brands LLC and Dixie Brands, Inc. (“Dixie”), entered into a definitive agreement to complete a reverse takeover business combination (“Transaction”), pursuant to which Dixie will indirectly acquire from BR Brands all of the outstanding voting shares of the Company and certain other assets of BR Brands. Following completion of the Transaction, BR Brands will obtain control and majority ownership of Dixie. On October 31, 2020, the Transaction was completed. The combined company has been renamed BellRock Brands Inc.

The Company has evaluated subsequent events through November 30, 2020, which is the date these unaudited condensed interim combined financial statements were available to be issued. All subsequent events, if any, requiring recognition as of September 30, 2020, have been incorporated into these unaudited condensed interim combined financial statements.