



BIOME GROW INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(UNAUDITED)

(Expressed in Canadian dollars)

Notice of Disclosure of No Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2021.

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

The accompanying unaudited condensed interim consolidated financial statements of Biome Grow Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 have not been reviewed or audited by the Company's independent auditors.

November 29, 2021

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at September 30, 2021 and December 31, 2020

(Expressed in Canadian dollars) - Unaudited

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash		706,732	98,113
Restricted cash		472,795	471,386
Goods and services tax recoverable		21,606	38,211
Prepaid expenses and advances	12	206,409	307,600
Investments – current portion	5	11,546,573	11,152,935
Total current assets		12,954,115	12,068,245
Investments	5	-	512,362
TOTAL ASSETS		12,954,115	12,580,607
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,12	2,177,532	2,358,723
Current portion of loans payable	8	3,495,150	1,250,000
Total current liabilities		5,672,682	3,608,723
Loans payable	8	-	2,455,545
Total liabilities		5,672,682	6,064,268
SHAREHOLDERS' EQUITY			
Share capital	9	23,183,398	23,183,398
Reserves		2,534,691	2,492,497
Deficit		(18,436,656)	(19,159,556)
Total shareholders' equity		7,281,433	6,516,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,954,115	12,580,607

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Events after the reporting period (Note 14)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 29, 2021. They are signed on the Company's behalf by:

“Khurram Malik”
Director

“J. Mark Lievonen”
Director

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

BIOME GROW INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian dollars, except number of shares) - Unaudited

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Operating expenses					
Professional fees		40,550	152,985	182,260	364,780
Insurance		29,598	48,086	88,796	146,059
Stock-based compensation	9,12	9,325	11,259	42,194	11,259
Accretion expense	8	10,614	573,088	29,892	1,081,992
Transfer agent and listing fees		10,909	8,922	24,593	28,283
Salaries and wages		15,703	1,026,799	15,703	1,402,758
Investor relations		3,052	-	3,052	-
Travel		2,720	1,062	2,720	19,151
Bad debt expense		2,663	130,418	2,663	230,418
Donations		-	-	2,500	-
General and administration		514	2,043	1,447	39,314
Consulting		-	1,372,709	-	1,607,555
Advertising and promotion		-	5,468	-	7,643
Loss before other items		(125,648)	(3,332,839)	(395,820)	(4,939,212)
Other expenses (income)					
Change in fair value on investments	5	4,044,359	1,736,150	(660,998)	1,736,150
Realized gain on investments sold	5	(234,879)	-	(742,443)	-
Interest expense	8	103,576	170,190	312,792	349,175
Gain on settlement of debt		-	(231,000)	(28,071)	(231,000)
Other income		-	(9,132)	-	(331,420)
		3,913,056	1,666,208	(1,118,720)	1,522,905
Income (loss) from continuing operations before tax		(4,038,704)	(4,999,047)	722,900	(6,462,117)
Deferred income tax expense		-	176,667	-	265,000
Net income (loss) from continuing operations		(4,038,704)	(5,175,714)	722,900	(6,727,117)
Net income from discontinued operations		-	2,267,804	-	1,492,971
Net income (loss) and comprehensive income (loss)		(4,038,704)	(2,907,910)	722,900	(5,234,146)
Earnings (loss) from continuing operations per share					
Basic		(0.04)	(0.05)	0.01	(0.06)
Diluted		(0.04)	(0.05)	0.01	(0.06)
Earnings per share from discontinued operations					
Basic		0.00	0.02	0.00	0.01
Diluted		0.00	0.02	0.00	0.01
Weighted average number of common shares outstanding					
Basic		112,417,435	111,941,961	112,417,435	111,714,752
Diluted		112,417,435	111,941,961	112,417,435	111,714,752

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

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars, except number of shares) – Unaudited

	Common shares		Shares to be (cancelled) issued	Reserves	Deficit	Total
	Number #	Share capital \$				
Balance, December 31, 2019	111,599,899	23,110,095	515,000	2,464,531	(19,170,357)	6,919,269
Cancellation of shares issuable	-	-	(265,000)	-	-	(265,000)
Issuance of shares for debt	817,536	73,403	-	-	-	73,403
Stock-based compensation	-	-	-	11,259	-	11,259
Net income for the period from discontinued operations	-	-	-	-	1,492,970	1,492,970
Net loss for the period from continuing operations	-	-	-	-	(6,727,117)	(6,727,117)
Balance, September 30, 2020	112,417,435	23,183,498	250,000	2,475,790	(24,404,504)	1,504,784
Cancellation of Back Home shares issuable	-	-	(250,000)	-	250,000	-
Cancellation of Back Home share capital	-	(100)	-	-	-	(100)
Stock-based compensation	-	-	-	16,707	-	16,707
Net loss for the period from discontinued operations	-	-	-	-	(15,089)	(15,089)
Net income for the period from continuing operations	-	-	-	-	5,010,037	5,010,037
Balance, December 31, 2020	112,417,435	23,183,398	-	2,492,497	(19,159,556)	6,516,339
Stock-based compensation	-	-	-	42,194	-	42,194
Net income for the period from continuing operations	-	-	-	-	722,900	722,900
Balance, September 30, 2021	112,417,435	23,183,398	-	2,534,691	(18,436,656)	7,281,433

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

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

	2021	2020
	\$	\$
Operating activities		
Net income (loss) from continuing operations for the period	722,900	(6,727,117)
Adjustments for non-cash items:		
Gain on sale of investments	(742,443)	-
Unrealized (gain) loss on investments	(660,998)	1,736,150
Interest expense	312,792	130,122
Stock-based compensation	42,194	11,259
Gain on debt settlement	(28,071)	-
Accretion	29,892	1,081,992
Bad debt expense	-	(230,418)
Consulting	-	(250,000)
Salaries and wages	-	(15,000)
Changes in non-cash working capital items:		
Accounts receivable	16,605	(217,090)
Accounts payable and accrued liabilities	(355,755)	2,558,814
Deposits and prepaid expenses	60,296	(10,584)
Cash used in continuing operating activities	(602,588)	(1,931,872)
Cash provided by discontinued operating activities	-	2,816,511
Investing activities		
Proceeds on sale of investments	1,522,165	105,000
Cash provided by continuing investing activities	1,522,165	105,000
Cash used by discontinued investing activities	-	(553,479)
Financing activities		
Repayment of loan payable	(240,286)	(2,735,000)
Interest paid on loan payable	(69,263)	(50,660)
Advance of term loan	-	1,000,000
Debt issuance costs	-	(80,000)
Advance of short-term loan	-	400,000
Repayment of short-term loan	-	(400,000)
Cash used in continuing financing activities	(309,549)	(1,865,660)
Change in cash, continuing operations	610,028	(3,692,532)
Change in cash, discontinued operations	-	2,263,032
Cash, and restricted cash, beginning of period	569,499	2,064,805
Cash, and restricted cash, end of period	1,179,527	635,305
Composition of cash and restricted cash:		
Cash	706,732	147,895
Restricted cash	472,795	487,410
Cash and restricted cash, end of the period	1,179,527	635,305

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

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN

Biome Grow Inc. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on December 31, 2013. The head office and principal business location of the Company is 1401-480 University Avenue, Toronto, Ontario.

The Company's principal business activity is pursuing opportunities in the cannabis industry. On May 19, 2017, the Company acquired a 100% interest in Highland Grow Inc. ("HGI"). On July 31, 2020, the Company completed the sale of HGI (Note 4).

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Excluding the \$660,998 gain on change in fair value of investments and the \$742,443 realized gain on investments sold in the nine months ended September 30, 2021 (noting that share price market risk exists), the Company has incurred losses since its inception and has an accumulated deficit of \$18,436,656 as at September 30, 2021 (December 31, 2020 - \$19,159,556). There is a material uncertainty related to these conditions that casts doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to realize sufficient cash from the sale of its marketable securities and generate profitable operations in the future.

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak including variants which continues to spread, and related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. During 2021 vaccines became available and certain restrictions have begun to ease. The Company and its prior operations had not been drastically impacted by the pandemic, but management continues to monitor the situation.

2. BASIS OF PRESENTATION

a) Statement of compliance

These 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 for the years ended December 31, 2020 and 2019 ("annual financial statements").

b) Reclassification of prior amounts

The Company has reclassified certain items on the comparative unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss) and condensed interim consolidated statements of cash flows to conform with current period presentation.

c) Basis of consolidation

These interim financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage ownership
Cultivator Catalyst Corp.	100%
Great Lake Cannabis Company Inc.	100%
Weed Virtual Retail Inc.	100%

BIOME GROW INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

2. BASIS OF PRESENTATION (continued)

As at December 31, 2020, the Company entered into a share buyback agreement to dispose of its investment in The Back Home Medical Cannabis Corporation ("Back Home") (Note 4). As a result, the interim financial statements have been prepared with Back Home included as discontinued operations.

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

As at July 31, 2020, the Company sold its investment in HGI (Note 4). As a result, the interim financial statements have been prepared with the results of HGI included as discontinued operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in Note 3 to the Company's audited annual consolidated financial statements.

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of the interim financial statements. In addition, the preparation of the financial data requires the Company's management to make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

4. DISCONTINUED OPERATIONS

Discontinued operations consisted of the following:

Highland Grow Inc.

On July 31, 2020, the Company completed the sale of 100% of the Company's interest in HGI to MYM Nutraceuticals Inc. ("MYM").

The total consideration received by the Company was valued at \$12,021,901 consisting of:

- (i) \$1.5 million in cash;
- (ii) 42,813,985 common shares in the capital of MYM (each a "MYM Shares"), representing 19% of MYM's total issued and outstanding share capital post-closing; and
- (iii) 132,551,040 newly created non-voting Class A Special Shares of MYM International Brands Inc., which may be exchanged for MYM Shares in accordance with the Class A Special Shares' rights and restrictions ("Exchangeable Shares"); and
- (iv) MYM's agreement to make the MYM Loan (as described below).

Each Exchangeable Share may be exchanged for one MYM Share at the option of the Company or MYM on the earlier of July 31, 2022 or a corporate reorganization of MYM.

In addition, MYM also loaned the Company an amount equal to \$1,000,000 in cash plus \$1,664,141 for outstanding debts previously incurred in HGI (the "MYM Loan") (Note 8(a)).

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

4. DISCONTINUED OPERATIONS (continued)

As security for the MYM Loan, 38,461,538 of the MYM Shares received on closing were held in escrow ("Escrow Shares"). The Escrow Shares are subject to certain vesting conditions and released monthly at the greater of 2,000,000 shares or 25% of the average of the monthly trading volume of MYM on the Canadian Securities Exchange ("CSE") for a period of 20 months commencing on August 1, 2020. Pursuant to the terms of the escrow agreement, these shares were released by way of a joint notice (see Note 14).

Any proceeds received by the Company from the sale of such Escrow Shares shall be used to repay the MYM Loan until such time as the MYM Loan is discharged in full.

The following table summarizes the gain on sale of HGI:

Assets transferred	\$
Cash	235,781
Amounts receivable	1,318,713
Inventory	1,242,074
Biological assets	17,501
Prepaid expenses and deposits	191,232
Note receivable	1,664,141
Property, plant and equipment	3,195,427
Goodwill	4,374,313
	12,239,182
Liabilities transferred	
Accounts payable and accrued liabilities	1,935,311
Lease liability	41,129
	1,976,440
Net assets transferred	10,262,742
Consideration	
Fair value of 132,551,040 Exchangeable Shares	7,953,062
Fair value of 38,461,538 Escrow Shares at \$0.06 per share	2,307,692
Fair value of 4,352,447 MYM Shares at \$0.06 per share	261,147
Cash	1,500,000
Total consideration	12,021,901
Gain on sale of HGI	1,759,159

Back Home Medical Cannabis Corporation

On November 9, 2020, the Company entered into a share buyback agreement with the previous owners of Back Home to return the Company's interest in Back Home to the previous owners. Pursuant to the share buyback agreement, the previous owners are to return 187,000 common shares of the Company previously issued to them and the Company is no longer required to issue common shares previously recorded as shares to be issued of \$250,000. Accordingly, the Company has reclassified the \$250,000 from shares issuable to deficit.

The following table summarizes the loss on the share buyback agreement:

Assets transferred	\$
Amounts receivable	870,973
Consideration	
Cash paid as part of closing	(15,000)
Loss on share buyback agreement	885,973

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

4. DISCONTINUED OPERATIONS (continued)

The discontinued operations include the net income to the date of disposal and the gain or loss on disposal. Net income from the discontinued operations for the three and nine months ended September 30, 2020, is as follows:

	Three months ended September 30, 2020	Nine months ended September 30, 2020
	\$	\$
Revenue	1,167,193	5,563,034
Cost of sales	548,701	3,640,276
Gross margin before fair value changes	618,492	1,922,758
Changes in fair value of inventory sold	(13,727)	(39,634)
Unrealized loss on change in fair value of biological assets	(15,663)	(108,377)
Gross profit	589,102	1,774,747
Operating expenses		
Bad debt expense	-	226,000
General and administration	25,266	257,762
Depreciation	19,870	136,173
Salaries and wages	11,218	68,545
Utilities	21,228	42,625
Travel	982	10,443
Advertising and promotion	1,813	3,076
Professional fees	80	2,136
	80,457	746,760
Other expenses		
Gain on sale of discontinued operation	1,759,159	1,759,159
Write-down of inventory	-	(1,294,175)
Net income from discontinued operations	2,267,804	1,492,971

Cash flows related to discontinued operations for the nine months ended September 30, 2020, is as follows:

	Nine months ended September 30, 2020
	\$
Operating activities of discontinued operations	
Net income from discontinued operations	1,492,971
Adjustments for non-cash items:	
Depreciation	136,172
Changes in non-cash working capital items:	
Biological assets	150,757
Inventory	1,036,611
Net cash used in discontinued operating activities	2,816,511
Investing activities of discontinued operations	
Gain on sale of HGI, net	(494,941)
Purchase of equipment	(113,602)
Return of equipment	55,064
Cash provided by discontinued investing activities	(553,476)
Change in cash, discontinued operations	2,263,032

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

5. INVESTMENTS

Investments as at September 30, 2021 and December 31, 2020 consisted of the following:

	Trichome / MYM Shares	Trichome / MYM Escrow Shares	Exchangeable Shares	Total
	\$	\$	\$	\$
Cost				
Balance, December 31, 2019	-	-	-	-
Additions	261,147	2,307,692	7,953,063	10,521,902
Transferred	978,597	(599,817)	(378,780)	-
Cost sold or transferred for debt settlement	(505,020)	-	(2,240,017)	(2,745,037)
Balance, December 31, 2020	734,724	1,707,875	5,334,266	7,776,865
Transferred	791,012	(791,012)	-	-
Cost sold or transferred for debt settlement	(779,722)	-	-	(779,722)
Cost of securities exchanged	5,334,266	-	(5,334,266)	-
Balance, September 30, 2021	6,080,280	916,863	-	6,997,143
Fair value				
Balance, December 31, 2019	-	-	-	-
Additions	261,147	2,307,692	7,953,063	10,521,902
Transferred	978,597	(599,817)	(378,780)	-
Net proceeds on sales	(565,224)	-	-	(565,224)
Transfer for debt settlement	-	-	(2,613,353)	(2,613,353)
Realized gain on investments sold/transferred	60,204	-	373,336	433,540
Change in fair value of investments	367,362	853,937	2,667,133	3,888,432
Balance, December 31, 2020	1,102,086	2,561,812	8,001,399	11,665,297
Transferred	791,012	(791,012)	-	-
Net proceeds on sales	(1,522,165)	-	-	(1,522,165)
Realized gain on investments sold	742,443	-	-	742,443
Cost of securities exchanged	5,334,266	-	(5,334,266)	-
Change in fair value of investments	3,586,107	(257,976)	(2,667,133)	660,998
Balance, September 30, 2021	10,033,749	1,512,824	-	11,546,573

On July 31, 2020, the Company received 4,352,447 MYM Shares, 38,461,538 Escrow Shares and 132,551,040 Exchangeable Shares of MYM as consideration for the sale of HGI (Note 4). During the year ended December 31, 2020, the Company disposed of a total of 8,417,000 MYM Shares and realized a gain of \$433,540.

In connection with the sale of HGI, the Company entered into various debt settlements and bonus payments with former employees of the Company and HGI which were settled with the issuance of either Exchangeable Shares or MYM Shares. On May 21, 2021, the Company exchanged the 88,904,428 outstanding Exchangeable Shares for 88,904,428 MYM Shares.

On July 9, 2021, MYM was acquired by IM Cannabis Corp. ("IMC") and under the terms of the agreement, all MYM Shares were converted into common shares of IMC. The Company received 2,700,905 IMC common shares (of which 336,183 are held in escrow), in exchange for 122,768,413 MYM Shares (which included 15,281,054 Escrow Shares).

For the three and nine months ended September 30, 2021, the Company recorded a loss of \$4,044,359 and gain of \$660,998, respectively, on its revaluation of these investments (2020 - \$1,736,150 and \$1,736,150, respectively). During the three and nine months ended September 30, 2021, the Company also recorded a realized gain on sale of investments of \$234,879 and \$742,443, respectively (2020 - \$nil and \$nil, respectively). As at September 30, 2021, the Company held 2,565,905 IMC Shares, of which 336,183 are IMC Escrow Shares.

The remaining IMC Escrow Shares are expected to be released within the next 12 months and have been classified as current on the statement of financial position (December 31, 2020 - \$512,362 of Escrow Shares were not expected to vest within 12 months and classified as non-current).

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at September 30, 2021, and December 31, 2020, consisted of the following:

	Computer and software	Equipment	Land and building	Leasehold improvements	Leased vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2019	34,927	387,439	595,465	2,615,647	-	3,633,478
Additions	-	-	-	-	52,266	52,266
Disposals (see Note 4)	(34,927)	(387,439)	(595,465)	(2,615,647)	(52,266)	(3,685,744)
Balance, December 31, 2020 and September 30, 2021	-	-	-	-	-	-
Accumulated depreciation						
Balance, December 31, 2019	11,882	105,086	-	243,449	-	360,417
Depreciation	4,105	43,142	-	76,132	12,793	136,172
Disposals (see Note 4)	(15,987)	(148,228)	-	(319,581)	(12,793)	(496,589)
Balance, December 31, 2020 and September 30, 2021	-	-	-	-	-	-
Carrying amount						
Balance, December 31, 2020 and September 30, 2021	-	-	-	-	-	-

During the year ended December 31, 2020, the Company returned equipment to the supplier for a full refund of the original purchase prices totaling \$55,064. No gain or loss occurred as a result of this return of equipment.

On July 31, 2020, all property, plant and equipment were disposed of for \$1 pursuant to sale of HGI (Note 4).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as at September 30, 2021, and December 31, 2020 consisted of the following:

	2021	2020
	\$	\$
Trade payables	1,382,841	1,676,832
Accrued liabilities	596,384	681,891
Interest payable	198,307	-
	2,177,532	2,358,723

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

8. LOANS PAYABLE

A continuity of the Company's loan obligations as at September 30, 2021 and December 31, 2020 is as follows:

	MYM Loan	Related Party Loan	Total 2021	Total 2020
			\$	\$
Opening balance	2,455,545	1,250,000	3,705,545	2,911,571
Proceeds from issuance of term loan	-	-	-	2,664,141
Issuance costs and transaction fees	-	-	-	(80,000)
Principal repayments, net	(240,286)	-	(240,286)	(3,163,676)
Accretion expense	29,892	-	29,892	1,373,509
Ending balance	2,245,151	1,250,000	3,495,151	3,705,545
Less: current portion	2,245,151	1,250,000	3,495,151	1,250,000
Non-current portion	-	-	-	2,455,545

- a) On July 31, 2020, in connection with sale of HGI, MYM agreed to loan the Company an amount equal to \$1,000,000 (the "MYM Loan – Tranche #1") plus the balance of certain liabilities of HGI, which will continue to be owed by HGI, post-closing, in the amount of \$1,664,141 (the "MYM Loan – Tranche #2"), both for a term of 18 months with an option to extend for an additional 6 months at the sole discretion of the Company upon the Company paying an extension fee (together the "MYM Loan"). The MYM Loan bears interest at a rate of 17.5% per annum.

Pursuant to the loan and security agreement, the Company incurred a one-time set-up fee equal to 8% of the MYM Loan – Tranche #1 advance. Interest on the MYM Loan is calculated from July 31, 2020 on a monthly basis and payable every fourth month beginning on November 30, 2020. The total debt issuance costs of \$80,000 were applied against the loan principle in the amount of \$2,664,141 and are accreted over the term of the loan.

During the three and nine months ended September 30, 2021, the Company incurred interest expense of \$99,969 and \$303,554, respectively (2020 - \$77,917 and \$77,917, respectively) in connection with this loan.

- b) During the year ended December 31, 2019, the Company received a series of advances from a related party totaling \$1,250,000. The amounts are secured by promissory notes, bear no interest and are due on demand. As at September 30, 2021, the carrying value of these loans are \$1,250,000 (December 31, 2020 - \$1,250,000).
- c) On November 21, 2019, the Company entered into a credit agreement pursuant to which the Company received a loan in the amount of \$3,000,000. The loan bears interest at 10% per annum payable monthly and is due on November 21, 2021. The loan amount is secured by, amongst other guarantees and assignments, a general security agreement and a first priority security interest over all common shares of HGI. Of the total loan amount, \$500,000 has been placed in a lawyer's trust account pursuant to an escrow agreement which restricts the use of the funds subject to certain conditions to be fulfilled by the Company and its management. Funds in the trust account have been utilized to service legal costs pursuant to the terms of the trust agreement and the balance as at September 30, 2021, is \$471,850 (December 31, 2020 - \$471,386).

Pursuant to the credit agreement, the Company incurred a one-time aggregate commitment fee of \$105,000, paid costs of the lender totaling \$51,000, and committed to issue 5,357,143 share purchase warrants exercisable for a period of four years at a price of \$0.28 per common share. The Company estimated the fair value of the share purchase warrants being \$979,475, which was calculated using the Black-Scholes Option Pricing Model using the following assumptions: stock price on date of grant - \$0.24; expected life of warrants - 4 years; volatility - 125%; dividend rate - 0%; risk-free rate - 1.51%. The total debt issuance costs of \$1,135,475 were applied against the loan principal amount of \$3,000,000 and are accreted over the term of the loan.

During the year ended December 31, 2020, the Company repaid the principal amount of \$3,000,000 and recorded interest expense of \$140,662 related to the loan payable. The Company paid legal fees of \$8,743, prepayment penalty of \$66,806 and prepaid legal expenses of \$2,500.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars) - Unaudited

9. SHARE CAPITAL**a) Authorized**

- Unlimited number of voting common shares without par value
- Unlimited number of Special Class C Shares without par value subject to special rights or restrictions
- Unlimited number of Class B Preferred Shares without par values subject to special rights or restrictions

As at September 30, 2021, and December 31, 2020, there was 112,417,435 common shares outstanding.

b) Issued shares

There were no common share transactions during the nine months ended September 30, 2021.

The Company had the following common share transactions during the year ended December 31, 2020:

- The Company issued 417,536 common shares to settle liabilities with a fair value of \$33,402 or \$0.08 per common share.
- The Company issued 400,000 common shares to settle liabilities with a fair value of \$40,000 or \$0.10 per common share.

c) Stock options

The Company has adopted a stock option plan for its directors, officers, employees, and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

A summary of stock option transactions are as follows:

	Number of stock options	Weighted average exercise price
	#	\$
Balance, December 31, 2019	400,000	1.60
Granted	1,500,000	0.08
Forfeited	(200,000)	1.60
Balance, December 31, 2020, and September 30, 2021	1,700,000	0.26

The following table summarizes stock options outstanding and exercisable as at September 30, 2021, and December 31, 2020:

Grant date	Expiry date	Exercise price	2021	2020
		\$	#	#
October 19, 2018	October 19, 2021	1.60	200,000	200,000
July 31, 2020	July 31, 2025	0.08	1,500,000	1,500,000
Total outstanding			1,700,000	1,700,000
Total exercisable			200,000	200,000
Weighted average remaining contractual life of stock options outstanding at the end of the period			3.4 years	3.8 years

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9. SHARE CAPITAL (continued)

During the three and nine months ended September 30, 2021, the Company recognized stock-based compensation of \$9,325 and \$42,194, respectively (2020 - \$11,259 and \$11,259, respectively) that was recorded in the condensed interim consolidated statement of income (loss) and comprehensive income (loss). The stock-based compensation represents the fair value of stock options vested during the period and is estimated on the grant date using the Black-Scholes option pricing model.

d) Share purchase warrants

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2019	6,796,039	0.87
Expired	(401,159)	6.39
Balance, December 31, 2020	6,394,880	0.52
Expired	(37,112)	20.00
Balance, September 30, 2021	6,357,768	0.39

As at September 30, 2021, and December 31, 2020, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

Grant date	Expiry date	Exercise price	2021	2020
		\$	#	#
February 1, 2016	February 1, 2021	20.00	-	12,592
February 16, 2016	February 16, 2021	20.00	-	5,242
March 4, 2016	March 4, 2021	20.00	-	2,700
April 18, 2016	April 18, 2021	20.00	-	14,712
August 16, 2016	August 16, 2021	20.00	-	1,866
October 3, 2018	October 3, 2021	1.00	1,000,000	1,000,000
October 19, 2018	October 19, 2021	1.60	625	625
November 21, 2019	November 21, 2023	0.28	5,357,143	5,357,143
Total outstanding and exercisable			6,357,768	6,394,880
Weighted average remaining contractual life of share purchase warrants outstanding at the end of the period			1.8 years	2.5 years

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**Fair value measurement of financial assets and liabilities**

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash and restricted cash is measured using Level 1 inputs. The carrying values of goods and services tax recoverable, accounts payable and accrued liabilities and the current portion of loans payable approximate their respective fair values due to the short-term nature of these instruments. The fair value of loans payable approximates fair value as it is discounted using a market rate of interest. The fair value of investments has been determined in whole by reference to the bid price of the shares on the Canadian Securities Exchange ("CSE") at each reporting date.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

As at September 30, 2021, the Company's financial instruments consist of cash, restricted cash, investments, accounts payable and accrued liabilities and loans payable.

Financial risk management objectives and policies

The Company's financial instruments include cash, restricted cash, goods and services tax recoverable, investments, accounts payable and accrued liabilities and loans payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

As at September 30, 2021, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of debt and other accounts payable relative to the sale of investments (marketable securities). Due to the ongoing COVID 19 pandemic, liquidity risk has been assessed as high.

(v) Maturity risk

The Company's cash balance as at September 30, 2021, was in the amount of \$706,732. As at September 30, 2021, the Company had accounts payable and accrued liabilities of \$2,177,532 and loans payable of \$3,495,150. All accounts payable and accrued liabilities and loans payable are current.

As at September 30, 2021, the Company did not have derivative financial liabilities with contractual maturities.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The following table summarizes the maturities of the Company's financial liabilities as at September 30, 2021, based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year
	\$	\$	\$
Accounts payable and accrued liabilities	2,177,532	2,177,532	2,177,532
Loans payable	3,495,150	3,510,178	3,510,178
Total	5,672,682	5,687,710	5,687,710

(vi) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded investment in MYM. The Company has no control over these fluctuations and does not hedge its investments. Based on the September 30, 2021, value of investments, a 10% increase or decrease in the share price of IMC would have impacted income (loss) for the period, up or down, by approximately \$1,154,657 (for the year ended December 31, 2020 - \$1,166,530) before income taxes.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

12. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer ("CFO"). During the three and nine months ended September 30, 2021 and 2020, key management compensation consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Stock-based compensation	9,325	-	42,194	-
Consulting fees	-	865,340	-	1,056,700
Interest expense	-	3,500	-	23,800
	9,325	868,840	42,194	1,080,500

As at September 30, 2021, the Company has recorded \$8,500 (December 31, 2020 - \$nil) in prepaid expenses and advances to related parties.

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12. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Amounts payable to related parties as at September 30, 2021 and December 31, 2020 consisted of the following:

	2021	2020
	\$	\$
Accounts payable and accrued liabilities	220,985	325,906
Loans payable	1,250,000	1,250,000
	1,470,985	1,575,906

As at September 30, 2021, accounts payable and accrued liabilities include \$220,985 (December 31, 2020 - \$220,985) in wages for consulting expenses to an entity which is under common control of a former director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at December 31, 2020, accounts payable and accrued liabilities include \$104,921 for fees payable to the former CFO of the Company. The amount was unsecured, non-interest bearing and due on demand.

As at September 30, 2021, the Company has loans payable totaling \$1,250,000 (December 31, 2020 - \$1,250,000) to an entity under control of a significant shareholder of the Company (Note 8(b)). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

13. COMMITMENTS

From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

14. EVENTS AFTER THE REPORTING PERIOD

On November 5, 2021, the Company authorized a proposed grant of 1,500,000 incentive options to various officers and directors. The options are to be exercisable at a price of \$0.04 per share for and expire if not exercised prior to October 26, 2026. The options will vest on a quarterly basis, commencing three months from the date of grant.

Each director is also entitled to receive \$20,000 of deferred cash compensation to be paid at the earliest of 12-months from November 5, 2021 or IMC's share price trading at or above its share price valuation (\$8.86 per share) that was used to determine the valuation metrics in its acquisition of MYM.

In October 2021, a total of 1,000,625 share purchase warrants with an exercise price ranging from \$1.00 to \$1.60 and 200,000 stock options with an exercise price of \$1.60 expired unexercised.