

MJ Innovation Capital Corp.
Condensed Interim Financial Statements
Three months ended September 30, 2019

(Unaudited)

The accompanying unaudited condensed interim financial statements for the three months ended September 30, 2019 have not been reviewed by the Company's auditors.

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MJ Innovation Capital Corp.

(A Capital Pool Company)

Condensed Interim Statement of operations and comprehensive loss

For the period ended September 30, 2019

(Unaudited - in Canadian dollars)

		Three Months Ended September 30, 2019	Fiscal Period Ended June 30, 2019
		(Unaudited)	(Audited)
Cost of Sales			
Gross Profit (Loss)	\$	-	-
Expenses			
Office and administrative expenses	\$	10,668	15,090
Legal & professional fees (Note 6)		18,325	54,380
Stock-based compensation (Note 4)		36,600	-
Total Expenses	\$	65,593	69,470
Loss from Operations	\$	(65,593)	(69,470)
Other Income			
		-	-
Net Loss and Comprehensive Loss	\$	(65,593)	(69,470)
Net loss per share			
Basic and Diluted	\$	(0.0198)	(0.0695)
Weighted average of shares outstanding basic and diluted		3,309,239	1,000,000

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

MJ Innovation Capital Corp.
(A Capital Pool Company)
Condensed Interim Statement of financial position
(Unaudited - in Canadian dollars)

	September 30, 2019	June 30, 2019
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash	\$ 351,336	69,910
Other receivables & prepaid expenses	-	15,000
Total assets	\$ 351,336	84,910
Liabilities		
Current liability		
Accounts payable and accrued liabilities	\$ 18,099	59,082
Total Liabilities	\$ 18,099	59,082
Equity		
Share capital (Note 4)	\$ 407,700	95,298
Contributed surplus (Note 4)	60,600	-
Accumulated deficit	(135,063)	(69,470)
Total equity	\$ 333,237	25,828
Total liabilities and equity	\$ 351,336	84,910

Nature of operations (Note 1)

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

Approved by the Board

"Richard Kimel"
Director

"Bryan Van Engelen"
Director

MJ Innovation Capital Corp.
(A Capital Pool Company)
Condensed Interim Statements of changes in equity
(Unaudited - in Canadian dollars)

For the three month period ended September 30, 2019 (unaudited)

	Share Capital	Deficit	Contributed surplus	Shareholders' Equity
Balance as at June 30, 2019	\$ 95,298	\$ 69,470	\$ -	\$ 25,828
Shares issued for cash during the period (Note 4)	405,000	-	-	405,000
Shares issuance costs	(68,598)	-	-	(68,598)
Warrants issued to Agent (Note 4)	(24,000)	-	24,000	-
Stock based compensation (Note 4)	-	-	36,600	36,000
Net loss for the three months then ended	-	(65,593)	-	(65,593)
Balance as at September 30, 2019	\$ 407,700	\$ (135,063)	\$60,600	333,237

Balance as at November 13, 2018

Issuance of shares on incorporation (Note 4)	\$ 100,000	\$ -	\$ -	\$ 100,000
Share issuance costs	(4,702)	-	-	(4,702)
Net loss for the period then ended	-	(69,470)	-	(69,470)
Balance as at June 30, 2019 (Audited)	\$ 95,298	\$ (69,470)	\$ -	\$ 25,828

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

MJ Innovation Capital Corp.
(A Capital Pool Company)
Condensed Interim Statements of cash flows
(Unaudited - in Canadian dollars)

	3 months ended September 30, 2019
	(Unaudited)
Operating activities	
Profit (loss) after taxation	\$ (65,593)
Adjustments for:	
Stock based compensation (Note 4)	36,600
Change in operating assets and liabilities	
Prepaid expenses	15,000
Accounts payable	(40,983)
Net cash used by operating activities	\$ (54,976)
Financing Activities	
Shares issued (Note 4)	\$ 405,000
Issuance costs	(68,598)
Net cash provided by financing activities	\$ 336,402
Net Cash Flows	\$ 281,426
Cash and Cash Equivalents	
Change and cash equivalents at beginning of period	\$ 69,910
Cash in cash during the period	281,426
Cash and cash equivalents at end of period	\$ 351,336

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

1. Nature of Operations and going concern

MJ Innovation Capital Corp. (the "**Corporation**") was incorporated under the *Business Corporations Act* (Ontario) on November 13, 2018 with the intent of being classified as a Capital Pool Company ("**CPC**") as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). The Corporation has no assets other than cash and cash equivalents and other receivables. The Corporation proposes to identify and evaluate potential acquisitions or businesses (for a "**Qualifying Transaction**"), and once identified and evaluated, to negotiate an acquisition or participation.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the Exchange. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Corporation's common shares from trading should it not meet these requirements.

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") with the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classification of assets and liabilities should the Corporation be unable to continue as a going concern.

The head office and the registered head office of the Corporation is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

These unaudited condensed interim financial statements were approved and authorized for issuance by the board of directors (the "**Board**") of the Corporation on November 29, 2019.

2. Significant accounting policies

Statement of compliance

These unaudited condensed financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**"). These unaudited condensed interim financial statements do not include all of the information and disclosure required in the annual statements and should be read in conjunction with the financial statements that were prepared for the Corporation's final prospectus for the period ended June 30, 2019.

Accounting standards issued but not yet applied

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the financial statements.

Basis of Presentation

The financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss, and (ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

- Cash is classified as fair value and any period change in fair value is recorded in profit or loss; and
- Accrued liabilities are classified as other financial liabilities and measure at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and the that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such a as quoted interest or currency exchange rates; and
- Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive income.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

3. Cash and Cash Equivalents

Once the Corporation has been successful in being classified as a Capital Pool Company, the proceeds raised from the issuance of capital stock may only be used to identify and evaluate assets or businesses for future investments, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation or \$210,000 may be used to cover prescribed costs of issuing the Common Shares or administrative and general expenditures of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

4. Share capital

Authorized Unlimited Common Shares

On December 31, 2018, the Corporation issued 1,000,000 common shares (the "**Common Shares**") at a price of \$0.10 per share for total cash consideration of \$100,000. On July 3, 2019, the Corporation issued 50,000 Common Shares at a price of \$0.10 per share for total cash consideration of \$5,000. On August 9, 2019, the Corporation completed its initial public offering (the "**IPO**") of 2,000,000 Common Shares at a price of \$0.20 per share for gross proceeds of \$400,000. Share issuance costs of \$68,598 were incurred during the period (\$4,702 – June 30, 2019).

Escrow shares

All of the 1,050,000 Common Shares issued prior to the IPO at a price of \$0.10 per Common Share, all Common Shares that may be acquired by Non Arm's Length Parties of the Corporation (as defined by the policies of the Exchange) either under the IPO or otherwise prior to completion of the Qualifying Transaction, and all Common Shares acquired by members of the Aggregate Pro Group (as defined by the policies of the Exchange) prior to the IPO, will be deposited with the Corporation's escrow agent under the CPC Escrow Agreement (as defined by the policies of the Exchange).

All Common Shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the Common Shares will be released from escrow in accordance with the terms of the escrow agreement.

All Common Shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed.

Options

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board when the option is granted. Options may be exercised until the greater of 12 months after the completion of the Qualifying Transaction and 90 days following the date the optionee ceases to be a director, officer or employee of the Corporation or its affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

On August 9, 2019, in connection with the IPO, the Corporation granted stock options to directors and officers to acquire an aggregate of 305,000 Common Shares at an exercise price of \$0.20 per share for a period of 10 years from the date of grant.

Options issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk free interest rate of 1.47%, an expected dividend yield of 0%, an expected stock price volatility of 50%, and an expected life of two years. This resulted in a calculated fair value per option of \$0.12. During the three months ended September 30, 2019, the Corporation recognized \$36,600 in stock-based compensation costs that were recorded as contributed surplus (June 30, 2019 - \$NIL).

As at September 30, 2019, there were 305,000 options outstanding.

Share purchase warrants

On August 9, 2019, in connection with the IPO, the Corporation granted Canaccord Genuity Corp. (the "**Agent**"), warrants to purchase 200,000 Common Shares at a price of \$0.20 per share. The Agent's warrants expire 24 months from the date of closing the IPO. Warrants issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk free interest rate of 1.47%, an expected dividend yield of 0%, an expected stock price volatility of 50%, and an expected life of two years. This resulted in a calculated fair value per warrant of \$0.12. During the three months ended September 30, 2019, the Corporation recognized \$24,000 in share issuance costs that were recorded as contributed surplus (June 30, 2019 - \$NIL).

5. Capital management

The Corporation's capital currently consists of Common Shares in the amount of \$431,700 as at September 30, 2019. Its principal source of cash is from the issuance of Common Shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject except as more fully defined in Note 3. The Corporation 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 Corporation may attempt to issue new shares.

MJ Innovation Capital Corp.

(A Capital Pool Company)

Notes to the Condensed Interim financial statements

For the three months ended September 30, 2019

6. Related party transactions

During the three months ended September 30, 2019, the Corporation incurred \$8,447 in legal fees in respect of general corporate matters for services provided by a law firm where two partners of the firm are directors of the Corporation.

No remuneration was paid to key management personnel during the period ended September 30, 2019 (\$NIL – June 30, 2019).