

# MIMI'S ROCK

**Mimi's Rock Corp.**

**Condensed Consolidated Interim Financial  
Statements**

**For the Three and Nine Months Ended September 30, 2020 and 2019**

**(Expressed in Canadian dollars)**

**(Unaudited)**

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

| <b>As at:</b>                            |                | <b>September 30</b>  | December 31          |
|--|----------------|----------------------|----------------------|
|  |                | <b>2020</b>          | 2019                 |
| <b>Assets</b>                            |                |                      |                      |
| <b>Current assets</b>                    |                |                      |                      |
| Cash                                     |                | \$ 361,718           | \$ 1,945,753         |
| Trade and other receivables              |                | 602,245              | 710,643              |
| Inventories                              |                | 2,102,882            | 1,241,263            |
| Income taxes recoverable                 |                | 1,807,734            | 1,042,781            |
| Prepaid expenses                         |                | 288,087              | 255,350              |
|  |                | <b>5,162,666</b>     | <b>5,195,790</b>     |
| <b>Non-current assets</b>                |                |                      |                      |
| Property and equipment                   | <i>note 2</i>  | 259,853              | 303,736              |
| Right of use assets                      | <i>note 3</i>  | 507,146              | 546,297              |
| Intangible assets                        | <i>note 4</i>  | 14,058,884           | 13,746,475           |
| Goodwill                                 | <i>note 5</i>  | 26,425,493           | 25,891,962           |
| <b>Total assets</b>                      |                | <b>\$ 46,414,042</b> | <b>\$ 45,684,260</b> |
| <b>Liabilities and Equity</b>            |                |                      |                      |
| <b>Current liabilities</b>               |                |                      |                      |
| Operating lines                          | <i>note 6</i>  | 2,366,000            | 326,000              |
| Accounts payable and accrued liabilities |                | 2,023,291            | 3,740,673            |
| Income taxes payable                     |                | 327,475              | 164,355              |
| Provisions                               | <i>note 7</i>  | 33,260               | 30,533               |
| Current portion of lease liability       | <i>note 8</i>  | 80,861               | 80,103               |
| Debt                                     | <i>note 9</i>  | 16,105,188           | 18,536,305           |
|  |                | <b>20,936,075</b>    | <b>22,877,969</b>    |
| <b>Non-current liabilities</b>           |                |                      |                      |
| Lease liability                          | <i>note 8</i>  | 448,719              | 427,772              |
| Deferred income taxes                    |                | 4,003,867            | 3,971,026            |
| <b>Total liabilities</b>                 |                | <b>25,388,661</b>    | <b>27,276,767</b>    |
| <b>Equity</b>                            |                |                      |                      |
| Share capital                            | <i>note 10</i> | 22,110,464           | 22,203,062           |
| Contributed surplus                      |                | 2,132,523            | 2,002,123            |
| Deficit                                  |                | (3,337,637)          | (5,092,929)          |
| Accumulated other comprehensive income   |                | 120,031              | (704,763)            |
| <b>Total equity</b>                      |                | <b>21,025,381</b>    | <b>18,407,493</b>    |
| <b>Total liabilities and equity</b>      |                | <b>\$ 46,414,042</b> | <b>\$ 45,684,260</b> |

Approved on behalf of the Board:

(signed) Telfer Hanson

Director

(signed) Norman Betts

Director

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Operations**  
(Unaudited)  
(Expressed in Canadian dollars)

|  | Three Months Ended September 30 |                     | Nine Months Ended September 30 |                       |
|--|---------------------------------|---------------------|--------------------------------|-----------------------|
|  | 2020                            | 2019                | 2020                           | 2019                  |
| Revenues   | \$ 9,774,906                    | \$ 8,755,114        | \$ 31,153,354                  | \$ 27,692,245         |
| Cost of goods sold   | 2,900,187                       | 2,640,152           | 9,390,439                      | 8,244,068             |
| <b>Gross margin</b>  | <b>6,874,719</b>                | <b>6,114,962</b>    | <b>21,762,915</b>              | <b>19,448,177</b>     |
| <b>Operating expenses:</b>   |                                 |                     |                                |                       |
| Selling and marketing  | 4,476,833                       | 4,014,971           | 14,013,684                     | 12,040,957            |
| General and administrative   | 1,232,128                       | 1,197,215           | 3,782,238                      | 3,803,807             |
| Share-based compensation   | 35,627                          | 123,747             | 117,288                        | 530,919               |
| Listing expenses   | -                               | 88,351              | -                              | 786,138               |
| Depreciation   | 43,299                          | 40,669              | 133,855                        | 84,874                |
| Foreign exchange (gains) losses                                      | (112,804)                       | 64,138              | (76,781)                       | 115,474               |
|  | <b>5,675,083</b>                | <b>5,529,091</b>    | <b>17,970,284</b>              | <b>17,362,169</b>     |
| <b>Income before undernoted</b>                                      | <b>1,199,636</b>                | <b>585,871</b>      | <b>3,792,631</b>               | <b>2,086,008</b>      |
| Interest expense and financing costs                                 | 180,437                         | 426,409             | 606,166                        | 1,427,355             |
| Investment income  | -                               | -                   | -                              | (13,579)              |
| <b>Income before income taxes</b>                                    | <b>1,019,199</b>                | <b>159,462</b>      | <b>3,186,465</b>               | <b>672,232</b>        |
| Income tax expense (recovery) - current                              | 470,704                         | 415,418             | 1,457,549                      | 1,418,910             |
| - deferred   | 2,883                           | (12,800)            | (26,376)                       | 344,612               |
| <b>Net income (loss) for the period</b>                              | <b>\$ 545,612</b>               | <b>\$ (243,156)</b> | <b>\$ 1,755,292</b>            | <b>\$ (1,091,290)</b> |
| <b>Earnings (loss) per share</b>                                     |                                 |                     |                                |                       |
| Basic  | \$ 0.01                         | \$ -                | \$ 0.03                        | \$ (0.03)             |
| Diluted  | \$ 0.01                         | \$ -                | \$ 0.03                        | \$ (0.03)             |
| <b>Weighted average number of common shares outstanding - basic</b>  | <b>52,525,883</b>               | <b>49,559,337</b>   | <b>52,551,503</b>              | <b>31,601,758</b>     |
| <b>Weighted average number of common shares outstanding - dilute</b> | <b>52,525,883</b>               | <b>49,559,337</b>   | <b>52,551,503</b>              | <b>31,601,758</b>     |

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

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Comprehensive Income (Loss)**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|   | Three Months Ended September 30 |              | Nine Months Ended September 30 |                |
|---|---------------------------------|--------------|--------------------------------|----------------|
|   | 2020                            | 2019         | 2020                           | 2019           |
| <b>Net income (loss) for the period</b>                 | \$ 545,612                      | \$ (243,156) | \$ 1,755,292                   | \$ (1,091,290) |
| <b>Other comprehensive income (loss)</b>                |                                 |              |                                |                |
| Items that may be reclassified to income:               |                                 |              |                                |                |
| Currency translation differences                        | (814,962)                       | 359,043      | 824,794                        | (962,067)      |
| <b>Other comprehensive income (loss) for the period</b> | (814,962)                       | 359,043      | 824,794                        | (962,067)      |
| <b>Total comprehensive income (loss)</b>                | \$ (269,350)                    | \$ 115,887   | \$ 2,580,086                   | \$ (2,053,357) |

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**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|  | Three Months Ended September 30 |                     | Nine Months Ended September 30 |                     |
|--|---------------------------------|---------------------|--------------------------------|---------------------|
|  | 2020                            | 2019                | 2020                           | 2019                |
| <b>Operating activities</b>                                |                                 |                     |                                |                     |
| Net income (loss) for the period                           | \$ 545,612                      | \$ (243,156)        | \$ 1,755,292                   | \$ (1,091,290)      |
| <b>Adjustments for the following items:</b>                |                                 |                     |                                |                     |
| Depreciation   | 43,299                          | 40,669              | 133,855                        | 84,874              |
| Interest expense   | 180,437                         | 426,409             | 606,166                        | 1,427,355           |
| Income tax expense   | 473,587                         | 402,618             | 1,431,173                      | 1,763,522           |
| Unrealized foreign exchange gains                          | (74,529)                        | 66,392              | (213,758)                      | (130,359)           |
| Share-based compensation                                   | 35,627                          | 123,747             | 117,288                        | 530,919             |
| Non-cash listing expenses                                  | -                               | -                   | -                              | 385,487             |
| Interest paid  | (123,622)                       | (228,259)           | (507,195)                      | (729,150)           |
| Income taxes paid  | (327,894)                       | (494,644)           | (1,786,465)                    | (2,465,515)         |
| <b>Net change in non-cash working capital balances:</b>    |                                 |                     |                                |                     |
| Provisions   | (4,169)                         | 16,020              | 2,727                          | 10,875              |
| Trade and other receivables                                | 436,836                         | 290,968             | 108,398                        | 351,566             |
| Prepaid expenses   | (77,078)                        | (195,669)           | (32,737)                       | (228,262)           |
| Inventories  | 604,703                         | 377,045             | (861,619)                      | 291,460             |
| Accounts payable and accrued liabilities                   | (1,670,116)                     | (111,224)           | (1,717,382)                    | (1,817,518)         |
| <b>Net cash provided by (used in) operating activities</b> | <b>42,693</b>                   | <b>470,916</b>      | <b>(964,257)</b>               | <b>(1,616,036)</b>  |
| <b>Financing activities</b>                                |                                 |                     |                                |                     |
| Repurchase of common shares                                | -                               | -                   | (79,486)                       | -                   |
| Advances on operating line                                 | 1,466,000                       | 325,000             | 2,040,000                      | (204,000)           |
| Repayment of bank indebtedness                             | (864,278)                       | -                   | -                              | -                   |
| Payment of lease obligations                               | (19,469)                        | (29,121)            | (76,449)                       | (89,499)            |
| Repayment of long-term debt                                | (831,600)                       | (759,000)           | (2,494,800)                    | (2,277,000)         |
| Proceeds from stock option exercise                        | -                               | -                   | -                              | 120,060             |
| Proceeds from warrant exercise                             | -                               | -                   | -                              | 5,000               |
| <b>Net cash provided by (used in) financing activities</b> | <b>(249,347)</b>                | <b>(463,121)</b>    | <b>(610,735)</b>               | <b>(2,445,439)</b>  |
| <b>Investing activities:</b>                               |                                 |                     |                                |                     |
| Cash acquired in acquisition                               | -                               | -                   | -                              | 740,775             |
| Purchase of property and equipment                         | -                               | (81,030)            | (9,043)                        | (253,946)           |
| Proceeds from short-term investments                       | -                               | -                   | -                              | 2,756,299           |
| <b>Net cash provided by (used in) investing activities</b> | <b>-</b>                        | <b>(81,030)</b>     | <b>(9,043)</b>                 | <b>3,243,128</b>    |
| <b>Net change in cash</b>                                  | <b>\$ (206,654)</b>             | <b>(73,235)</b>     | <b>\$ (1,584,035)</b>          | <b>(818,347)</b>    |
| <b>Cash, beginning of period</b>                           | <b>568,372</b>                  | <b>1,901,039</b>    | <b>1,945,753</b>               | <b>2,646,151</b>    |
| <b>Cash, end of period</b>                                 | <b>\$ 361,718</b>               | <b>\$ 1,827,804</b> | <b>\$ 361,718</b>              | <b>\$ 1,827,804</b> |

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

**Mimi's Rock Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

|  | Share capital        | Contributed surplus | Preferred shares     | Accumulated deficit   | Accumulated other comprehensive income (AOCI) | Total equity         |
|--|----------------------|---------------------|----------------------|-----------------------|---|----------------------|
| <b>Balance, December 31, 2018</b>                                      | <b>\$ 663,502</b>    | <b>\$ 1,376,860</b> | <b>\$ 15,819,863</b> | <b>\$ (953,451)</b>   | <b>\$ 887,970</b>                             | <b>\$ 17,794,744</b> |
| Correction to net proceeds of preferred shares                         | -                    | -                   | 164,220              | -                     | -   | <b>\$ 164,220</b>    |
| Common shares, options and warrants issued in connection with RTO      | 1,046,875            | 67,900              | -                    | -                     | -   | <b>1,114,775</b>     |
| Dividends to preferred shareholders                                    | -                    | -                   | 588,468              | (588,468)             | -   | -                    |
| Conversion of preferred A shares                                       | 16,572,551           | -                   | (16,572,551)         | -                     | -   | -                    |
| Conversion of preferred B shares                                       | 2,779,012            | -                   | -                    | -                     | -   | <b>2,779,012</b>     |
| Share-based compensation   | -                    | 530,919             | -                    | -                     | -   | <b>530,919</b>       |
| Stock option exercise  | 178,572              | (58,512)            | -                    | -                     | -   | <b>120,060</b>       |
| Warrant exercise   | 6,586                | (1,586)             | -                    | -                     | -   | <b>5,000</b>         |
| Net loss for the period  | -                    | -                   | -                    | (1,091,290)           | -   | <b>(1,091,290)</b>   |
| Other comprehensive loss   | -                    | -                   | -                    | -                     | (962,067)                                     | <b>(962,067)</b>     |
| <b>Balance, September 30, 2019</b>                                     | <b>\$ 21,247,098</b> | <b>\$ 1,915,581</b> | <b>\$ -</b>          | <b>\$ (2,633,209)</b> | <b>\$ (74,097)</b>                            | <b>\$ 20,455,373</b> |
| <b>Balance, December 31, 2019</b>                                      | <b>\$ 22,203,062</b> | <b>\$ 2,002,123</b> | <b>\$ -</b>          | <b>\$ (5,092,929)</b> | <b>\$ (704,763)</b>                           | <b>\$ 18,407,493</b> |
| Share-based compensation   | -                    | 117,288             | -                    | -                     | -   | <b>117,288</b>       |
| Share repurchase and cancellation pursuant to normal course issuer bid | (92,598)             | 13,112              | -                    | -                     | -   | <b>(79,486)</b>      |
| Net income for the period  | -                    | -                   | -                    | 1,755,292             | -   | <b>1,755,292</b>     |
| Other comprehensive income   | -                    | -                   | -                    | -                     | 824,794                                       | <b>824,794</b>       |
| <b>Balance, September 30, 2020</b>                                     | <b>\$ 22,110,464</b> | <b>\$ 2,132,523</b> | <b>\$ -</b>          | <b>\$ (3,337,637)</b> | <b>\$ 120,031</b>                             | <b>\$ 21,025,381</b> |

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

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**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

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**For the three and nine months ended September 30, 2020 and 2019**

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**1. Presentation of Financial Statements**

Nature of Business

Mimi's Rock Corp., formerly known as Commerce Acquisition Corp. ("the Company"), was incorporated under the Ontario Business Corporations Act ("OBCA") on March 27, 2017. The Company and its subsidiaries operate in Canada and Europe. The head office of the Company is 610 Chartwell Road, Suite 202, Oakville, Ontario. The Company is a marketer and distributor of dietary supplements, vitamins, skin care and other wellness products through online channels to its customers in the United States, Canada and Europe.

The Company was previously classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange. The principal business of the Company as a CPC was to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction. The purpose of such an acquisition was to satisfy the related conditions of a qualifying transaction under the Exchange rules ("Qualifying Transaction").

On May 27, 2019, the Company completed its Qualifying Transaction pursuant to an amalgamation agreement between the Company and a private corporation, Mimi's Rock Inc. ("MRI"). As a part of the Qualifying Transaction, the Company changed its name from "Commerce Acquisition Corp." to "Mimi's Rock Corp."

Basis of Preparation

These unaudited condensed consolidated interim financial statements ("interim financial statements") of the Company have been prepared on a historical cost basis, except for certain financial assets which are presented at fair value, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS") for interim financial statements. The interim financial statements have been prepared on a basis consistent with the Company's annual audited consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with IFRS, have been omitted or condensed. During the nine months ended September 30, 2020, there were no significant changes in accounting policies or their application.

The preparation of the Company's interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2019. These interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

Since September 30, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide continuing to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
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**For the three and nine months ended September 30, 2020 and 2019**

imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

These interim financial statements were authorized for issue by the Company's Board of Directors on November 20, 2020.

**2. Property and equipment**

Continuity of property and equipment for the period ended September 30, 2020 was as follows:

|   | <b>Computer<br/>Equipment</b> | <b>Furniture and<br/>Fixtures</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b>      |
|---|-------------------------------|-----------------------------------|-----------------------------------|-------------------|
| Cost at December 31, 2019                                 | \$ 72,694                     | \$ 49,109                         | \$ 232,620                        | \$ 354,423        |
| Additions   | -                             | -                                 | 9,043                             | 9,043             |
| Foreign exchange differences                              | 1,304                         | 1,385                             | -                                 | 2,689             |
| <b>Cost at September 30, 2020</b>                         | <b>\$ 73,998</b>              | <b>\$ 50,494</b>                  | <b>\$ 241,663</b>                 | <b>\$ 366,155</b> |
| Accumulated Depreciation at<br>December 31, 2019          | \$ 18,761                     | \$ 14,445                         | \$ 17,481                         | \$ 50,687         |
| Depreciation charge                                       | 14,542                        | 12,346                            | 26,851                            | 53,739            |
| Foreign exchange differences                              | 597                           | 1,279                             | -                                 | 1,876             |
| <b>Accumulated Depreciation at<br/>September 30, 2020</b> | <b>\$ 33,900</b>              | <b>\$ 28,070</b>                  | <b>\$ 44,332</b>                  | <b>\$ 106,302</b> |
| Net book value at<br>December 31, 2019                    | \$ 53,934                     | \$ 34,664                         | \$ 215,138                        | \$ 303,736        |
| <b>Net book value at<br/>September 30, 2020</b>           | <b>\$ 40,098</b>              | <b>\$ 22,424</b>                  | <b>\$ 197,331</b>                 | <b>\$ 259,853</b> |

Continuity of property and equipment for the period ended September 30, 2019 was as follows:

|                              | <b>Computer<br/>Equipment</b> | <b>Furniture and<br/>Fixtures</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b> |
|------------------------------|-------------------------------|-----------------------------------|-----------------------------------|--------------|
| Cost at December 31, 2018    | \$ 53,602                     | \$ 8,689                          | \$ -                              | \$ 62,291    |
| Additions                    | 14,666                        | 41,227                            | 198,053                           | 253,946      |
| Foreign exchange differences | (994)                         | (441)                             | -                                 | (1,435)      |
| Cost at September 30, 2019   | \$ 67,274                     | \$ 49,475                         | \$ 198,053                        | \$ 314,802   |



**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

**For the three and nine months ended September 30, 2020 and 2019**

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Accumulated Depreciation at December 31, 2018  | \$ 3,323  | \$ 2,112  | \$ -       | \$ 5,435   |
| Depreciation charge                            | 12,131    | 12,101    | 5,726      | 29,958     |
| Foreign exchange differences                   | (203)     | (259)     | -          | (462)      |
| Accumulated Depreciation at September 30, 2019 | \$ 15,251 | \$ 13,954 | \$ 5,726   | \$ 34,931  |
| Net book value at September 30, 2019           | \$ 52,023 | \$ 35,521 | \$ 192,327 | \$ 279,871 |

**3. Right of use assets**

The Company's right-of-use assets primarily relate to the lease of office space. Leases are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities is 7.4%.

|  | <b>September 30<br/>2020</b> | September 30<br>2019 |
|--|------------------------------|----------------------|
| Cost, beginning of period                      | \$ 630,943                   | \$ 590,642           |
| Foreign exchange differences                   | 13,814                       | (11,840)             |
| <b>Cost, end of period</b>                     | <b>\$ 644,757</b>            | <b>\$ 578,802</b>    |
| Accumulated Depreciation, beginning of period  | \$ 84,646                    | \$ -                 |
| Depreciation charge                            | 58,859                       | 54,916               |
| Foreign exchange differences                   | (5,894)                      | (1,138)              |
| <b>Accumulated Depreciation, end of period</b> | <b>\$ 137,611</b>            | <b>\$ 53,778</b>     |
| Net book value, beginning of period            | \$ 546,297                   | \$ 590,642           |
| <b>Net book value, end of period</b>           | <b>\$ 507,146</b>            | <b>\$ 525,024</b>    |

**4. Intangible assets**

Continuity of intangible assets for the nine months ended September 30, 2020 and 2019 was as follows:

|                               | <b>September 30<br/>2020</b> | September 30<br>2019 |
|-------------------------------|------------------------------|----------------------|
| <b>Brand and Trademarks</b>   |                              |                      |
| Balance, beginning of period  | \$ 13,746,475                | \$ 11,807,518        |
| Foreign exchange differences  | 312,409                      | (347,026)            |
| <b>Balance, end of period</b> | <b>\$ 14,058,884</b>         | <b>\$ 11,460,492</b> |

There have been no impairment losses recognized against intangible assets in current or prior periods.

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

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**For the three and nine months ended September 30, 2020 and 2019**

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**5. Goodwill**

The continuity of goodwill for the nine months ended September 30, 2020 and 2019 was as follows:

|                               | September 30<br>2020 | September 30<br>2019 |
|-------------------------------|----------------------|----------------------|
| Balance, beginning of period  | \$ 25,891,962        | \$ 20,408,899        |
| Foreign exchange differences  | 533,531              | (592,648)            |
| <b>Balance, end of period</b> | <b>\$ 26,425,493</b> | <b>\$19,816,251</b>  |

There were no impairment losses recognized against goodwill in current or prior periods.

**6. Operating lines**

On June 26, 2020, the Company entered into an amendment to its debt agreement with its senior secured lender for the purposes of making available an additional borrowing facility for day-to day operational purposes and to manage any cashflow challenges presented by COVID-19. Funding for the new facility occurred July 3, 2020, whereby the Company drew the full amount of \$1,500,000. The new facility is available for a 12 month period, with any advanced funds bearing interest at bank prime plus 1% and is secured by a guarantee with Export Development Canada.

**7. Provisions**

|  | September 30<br>2020 | September 30<br>2019 |
|--|----------------------|----------------------|
| Balance at beginning of period           | \$ 30,533            | \$ 34,970            |
| Charges                                  | 28,320               | 26,686               |
| Utilization                              | (27,373)             | (14,630)             |
| Foreign exchange                         | 1,780                | (1,181)              |
| <b>Balance at end of period</b>          | <b>\$ 33,260</b>     | <b>\$ 45,845</b>     |
| Less: current portion of provisions      | (33,260)             | (45,845)             |
| <b>Non-current portion of provisions</b> | <b>\$ -</b>          | <b>\$ -</b>          |

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**Notes to Condensed Consolidated Interim Financial Statements**  
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**For the three and nine months ended September 30, 2020 and 2019**

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**8. Lease Liability**

|   | September 30<br>2020 | September 30<br>2019 |
|---|----------------------|----------------------|
| Balance, beginning of period                  | \$ 507,875           | \$ 590,642           |
| Interest expense                              | 35,288               | 36,507               |
| Lease payments                                | (76,449)             | (89,499)             |
| Foreign exchange                              | 62,866               | (10,382)             |
| <b>Balance, end of period</b>                 | <b>\$ 529,580</b>    | <b>\$ 527,268</b>    |
| Less: current portion of lease liability      | (80,861)             | (79,292)             |
| <b>Non-current portion of lease liability</b> | <b>\$ 448,719</b>    | <b>\$ 447,976</b>    |

**9. Debt**

|   | September 30<br>2020 | December 31<br>2019  |
|---|----------------------|----------------------|
| <b>Current</b>  |                      |                      |
| Senior secured facility, net of unamortized transaction costs<br>of \$37,230 (2019: \$55,000) | \$ 14,057,024        | \$ 16,533,346        |
| Short term promissory notes   | 2,048,164            | 2,002,959            |
| <b>Total</b>  | <b>\$ 16,105,188</b> | <b>\$ 18,536,305</b> |

Senior secured facility

The facility is secured by all assets of the Company and contains affirmative and negative covenants including compliance with laws and restrictions on additional debt, as well as traditional financial covenants such as debt to earnings and other coverage ratios. The Company was not in compliance with certain financial covenants as of December 31, 2019 and has not yet regained compliance at September 30, 2020. The Company received waivers from its lender with respect to quarterly covenants at December 31, 2019, March 31, 2020 and June 30, 2020 and expects to receive a waiver from its lender with respect to covenants at September 30, 2020. As the waiver with respect to the current period has not been received as of the report date, the full balance of the loan has been presented as due within the current period.

Short term promissory notes

In connection with the acquisition of each of All Natural and Maritime Naturals, a portion of the purchase price was paid via the issuance of a promissory note to the vendor. The principal amount of the promissory note to the vendor of All Natural was \$1,120,770, while the principal amount of the note to the vendor of Maritime Naturals was \$869,230, for a total principal of \$2,000,000. Both notes are due one year from the acquisition date, or December 13, 2020, accrue interest at 3% and are subordinated to the senior secured facility and are unsecured other than by written guarantees of the acquired companies.

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**For the three and nine months ended September 30, 2020 and 2019**

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**10. Share capital**

(a) Authorized:

Unlimited common shares without par value. Unlimited preferred shares.

Issued:

|  | Nine months ended<br>September 30, 2020 |                      | Year ended<br>December 31, 2019 |               |
|--|---|----------------------|---------------------------------|---------------|
|  | Number of<br>shares                     | Amount               | Number of<br>shares             | Amount        |
| <b>Balance</b> , beginning of period                                 | <b>52,745,883</b>                       | <b>\$ 22,203,062</b> | 15,995,250                      | \$ 663,502    |
| Common shares repurchased pursuant to normal course issuer bid       | (220,000)                               | (92,598)             | -                               | -             |
| Common shares issued in connection with reverse takeover acquisition | -                                       | -                    | 1,562,500                       | 1,046,875     |
| Conversion of preferred A shares                                     | -                                       | -                    | 27,666,797                      | 16,572,551    |
| Conversion of preferred B shares                                     | -                                       | -                    | 4,147,290                       | 2,779,012     |
| Common shares issued in connection with acquisition                  | -                                       | -                    | 3,186,546                       | 955,964       |
| Exercise of stock options  | -                                       | -                    | 180,000                         | 178,572       |
| Exercise of warrants   | -                                       | -                    | 7,500                           | 6,586         |
| <b>Balance</b> , end of period                                       | <b>52,525,883</b>                       | <b>\$ 22,110,464</b> | 52,745,883                      | \$ 22,203,062 |

(b) Normal Course Issuer Bid

In November 2019, the Company announced that the TSX Venture Exchange (the "Exchange") had accepted the Company's notice to implement a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 3,029,109 of its common shares, representing approximately 10% of the Company's "public float". The Company received approval from the Exchange to commence the NCIB on November 29, 2019 and continue to November 28, 2020, or earlier in the event that the Company has acquired the maximum number of Shares that may be purchased under the NCIB.

All shares purchased by the Company under the NCIB will be cancelled. During the nine months ended September 30, 2020, the Company repurchased and cancelled 220,000 shares under the NCIB at an average price of approximately \$0.36 per share.

(c) Stock option plan

The Company offers equity-based compensation under its stock option plan. Under the plan, the options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share at the grant date. The options have vesting periods ranging from the date of grant up to two years. Once vested, options are exercisable at any time until expiry.

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During the nine months ended September 30, 2020, the Company granted 920,000 options (2019: 167,500) with terms of five years and exercise prices ranging from \$0.36 to \$0.67. In addition, during the nine months ended September 30, 2020, 750,000 shares were submitted for cancellation (2019: nil). Outstanding options have terms of one to five years from the date of grant and vest over periods of one to two years.

Share based compensation expense is based on the estimated number of awards that will eventually vest and adjustments are made for forfeitures as they occur. The estimated fair value of the options granted during the three and nine months ended September 30, 2020, using the Black-Scholes option pricing model, were \$190,038 and \$190,038, respectively (2019: \$nil and \$50,030, respectively). For the three and nine months ended September 30, 2020, share based compensation expense of \$35,627 and \$117,288, respectively (2019: \$123,747 and \$530,919, respectively) relating to current and prior period grants and has been included in equity as contributed surplus. The remaining expense will be recognized over the balance of the vesting periods.

(d) Stock option details

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes fair value option pricing model with the following assumptions:

|   | <b>Nine months ended September 30</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2020</b>                           | <b>2019</b> |
| Weighted-average fair value of options        | <b>\$0.21</b>                         | \$0.23      |
| Risk-free interest rate                       | <b>0.50%</b>                          | 1.92%       |
| Volatility of the Company's common shares     | <b>77%</b>                            | 55%         |
| Weighted average expected life of the options | <b>5 years</b>                        | 1.3 years   |
| Forfeiture rate                               | <b>2.5%</b>                           | 2.5%        |
| Expected dividends                            | <b>nil</b>                            | nil         |

Volatility was determined based on daily observations of the historical stock price for comparable companies over a period consistent with the expected life of the options at the date of grant.

Details of outstanding options are as follows:

|  | Number of<br>options | Weighted average<br>exercise price per share |
|--|----------------------|--|
| Options outstanding at December 31, 2019       | 4,857,500            | \$ 0.69                                      |
| Options issued                                 | 920,000              | 0.44   |
| Options expired                                | (185,000)            | 0.86   |
| Options cancelled                              | (750,000)            | 0.67   |
| <b>Options outstanding, September 30, 2020</b> | <b>4,842,500</b>     | <b>\$ 0.64</b>                               |
| <b>Options exercisable, September 30, 2020</b> | <b>3,994,000</b>     | <b>\$ 0.67</b>                               |

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**11. Warrants**

Details of outstanding warrants are as follows:

|   | Number of<br>warrants | Exercise price<br>per share |
|---|-----------------------|-----------------------------|
| Warrants outstanding at December 31, 2019       | 2,850,440             | \$ 0.68                     |
| Warrants expired                                | (2,725,440)           | 0.67                        |
| <b>Warrants outstanding, September 30, 2020</b> | <b>125,000</b>        | <b>\$ 0.80</b>              |
| <b>Warrants exercisable, September 30, 2020</b> | <b>125,000</b>        | <b>\$ 0.80</b>              |

**12. Related party transactions**

At September 30, 2020 and 2019, there were no amounts owing to or from related parties. The remuneration of directors and other members of key management personnel, defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, and recorded in the general and administrative line of operating expenses are as follows:

|                          | Three months ended September 30 |                   | Nine months ended September 30 |                     |
|--------------------------|---------------------------------|-------------------|--------------------------------|---------------------|
|                          | 2020                            | 2019              | 2020                           | 2019                |
| Salaries                 | \$ 491,688                      | \$ 459,062        | \$ 1,423,262                   | \$ 1,332,974        |
| Share based compensation | 13,034                          | 79,392            | 99,207                         | 337,912             |
|                          | <b>\$ 504,722</b>               | <b>\$ 538,454</b> | <b>\$ 1,522,469</b>            | <b>\$ 1,670,886</b> |

**13. Income taxes**

The major components of income tax expense for the three and nine months ended September 30, 2020 and 2019 are:

|  | Three months ended<br>September 30 |                   | Nine months ended<br>September 30 |                     |
|--|------------------------------------|-------------------|-----------------------------------|---------------------|
|  | 2020                               | 2019              | 2020                              | 2019                |
| <b>Income tax recognized in<br/>statements of operations</b> |                                    |                   |                                   |                     |
| Current tax  | \$ 470,704                         | \$ 415,418        | \$ 1,457,549                      | \$ 1,418,910        |
| Deferred tax   | 2,883                              | (12,800)          | (26,376)                          | 344,612             |
| <b>Provision for income taxes</b>                            | <b>\$ 473,587</b>                  | <b>\$ 402,618</b> | <b>\$ 1,431,173</b>               | <b>\$ 1,763,522</b> |

The Company has recognized an estimated current tax expense and adjustment to deferred taxes based on an approximation of tax liabilities due with respect to its operations in Germany, Barbados and Canada. Income taxes recoverable represent withholding taxes paid on intercompany dividends and are expected to be recovered in subsequent periods.

**Mimi's Rock Corp.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
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**For the three and nine months ended September 30, 2020 and 2019**

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**14. Management of capital**

The Company includes the following in its definition of capital:

|  | September 30<br>2020 | December 31<br>2019  |
|--|----------------------|----------------------|
| Debt   | \$ 16,105,188        | \$ 18,536,305        |
| Equity comprised of:                               |                      |                      |
| Share capital                                      | 22,110,464           | 22,203,062           |
| Contributed surplus                                | 2,132,523            | 2,002,123            |
| Deficit and accumulated other comprehensive income | (3,217,606)          | (5,797,692)          |
|  | <b>\$ 37,130,569</b> | <b>\$ 36,943,798</b> |

The Company's objectives when managing capital are:

- (a) to allow the Company to respond to changes in economic and/or marketplace conditions;
- (b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity;
- (c) to ensure that the Company maintains the level of capital necessary to meet the requirements of its debt;
- (d) to comply with financial covenants required under its debt facilities; and
- (e) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) raising capital through equity financings;
- (b) utilizing leverage in the form of third party debt; and
- (c) realizing proceeds from the disposition of its investments

The Company is not subject to any capital requirements imposed by a regulator. The Company is subject to certain capital requirements and negative covenants with respect to its debt and other than default and restrictions as discussed in Note 9, there are no other externally imposed restrictions on capital.

There were no changes in the Company's approach to capital management during the year. To date, the Company has not declared any cash dividends to its common or preferred shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a regular basis.

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**15. Financial instruments and financial risk management**

a) Fair Value Estimation

The Company's carrying value of cash, short-term investments, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments. The fair value of long-term liabilities is not materially different than its carrying value due to the recent issuance of these liabilities.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

| Classification                             | September 30, 2020 |            |
|--|--------------------|------------|
|  | Carrying value     | Fair value |
|  | \$                 | \$         |
| Loans and receivables                      |                    |            |
| - Cash                                     | 361,718            | 361,718    |
| - Trade and other receivables              | 602,245            | 602,245    |
| - Income tax recoverable                   | 1,807,734          | 1,807,734  |
| Other financial liabilities                |                    |            |
| - Operating lines                          | 2,366,000          | 2,366,000  |
| - Accounts payable and accrued liabilities | 2,023,291          | 2,023,291  |
| - Income taxes payable                     | 327,475            | 327,475    |
| - Debt                                     | 16,105,188         | 16,142,418 |

b) Financial Risk Factors

The use of financial instruments can expose the Company to several risks, including market, credit and liquidity risks. Apart from the risks listed below, management is of the opinion that they are not exposed to any other significant risks. A discussion of the Company's use of financial instruments and its risk management is provided below.

(i) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. In order to mitigate this risk, the Company maintains a sufficient cash balance in order to satisfy short-term liabilities as they come due and actively pursues raising capital through various public and private financing mechanisms to satisfy longer term needs.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and do not include capitalized transaction costs.



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| <b>At September 30, 2020</b>             | <b>2020</b>         | <b>2021</b>         | <b>Year ended December 31</b> |                     |
|--|---------------------|---------------------|-------------------------------|---------------------|
|  |                     |                     | <b>2022</b>                   | <b>Thereafter</b>   |
| Debt                                     | \$ 2,831,600        | \$ 4,158,000        | \$ 4,158,000                  | \$ 4,989,600        |
| Operating lines                          | 866,000             | 1,500,000           | -                             | -                   |
| Accounts payable and accrued liabilities | 2,023,291           | -                   | -                             | -                   |
| Income taxes payable                     | 327,475             | -                   | -                             | -                   |
| Lease liability                          | 23,124              | 94,741              | 97,423                        | 343,229             |
| <b>Total</b>                             | <b>\$ 6,071,490</b> | <b>\$ 5,752,741</b> | <b>\$ 4,255,423</b>           | <b>\$ 5,332,829</b> |

(ii) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is not exposed to significant market risk given the low value of its investments.

(iii) Currency risk:

The following financial assets and liabilities were denominated in foreign currencies at September 30, 2020 (U.S. dollar 1.3323, Euro 1.5619) and December 31, 2019 (U.S. dollar 1.2962, Euro 1.4552, British Pound (GBP) 1.7584):

|  | <b>September 30<br/>2020</b> | <b>December 31<br/>2019</b> |
|--|------------------------------|-----------------------------|
| <b>Denominated in U.S. dollars</b>       |                              |                             |
| Cash                                     | <b>217,621</b>               | 1,366,987                   |
| Trade and other receivables              | <b>352,620</b>               | 603,735                     |
| Accounts payable and accrued liabilities | <b>(1,916,607)</b>           | (481,748)                   |
| Income taxes payable                     | <b>(39,882)</b>              | (66,111)                    |
| Net assets denominated in U.S. dollars   | <b>(1,386,248)</b>           | 1,422,863                   |
| <b>Denominated in Euros</b>              |                              |                             |
| Cash                                     | <b>109,968</b>               | 163,578                     |
| Income taxes receivable                  | <b>1,807,734</b>             | 1,042,781                   |
| Accounts payable and accrued liabilities | <b>(13,149)</b>              | (1,998,180)                 |
| Lease liability                          | <b>(280,865)</b>             | (247,358)                   |
| Net assets denominated in Euros          | <b>1,623,688</b>             | (1,039,179)                 |
| <b>Denominated in GBP</b>                |                              |                             |
| Cash                                     | -                            | 70,174                      |
| Net assets denominated in GBP            | -                            | 70,174                      |

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The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three months ended September 30, 2020 from a change in foreign currencies with all other variables held constant as at September 30, 2020:

| Percentage change in foreign currencies | Change in net pre-tax loss from % increase in foreign currencies | Change in net pre-tax loss from % decrease in foreign currencies |
|---|--|--|
| 2%                                      | \$ 4,749   | \$ (4,749)   |
| 4%                                      | 9,498  | (9,498)  |
| 6%                                      | 14,246   | (14,246)   |
| 8%                                      | 18,995   | (18,995)   |
| 10%                                     | 23,744   | (23,744)   |

The Company is subject to currency risk through its sales of products denominated in foreign currencies and purchases of inventory in US dollars. As such, changes in the exchange rate affect the operating results of the Company. Dependent on the nature, amount and timing of foreign currency receipts and payments, the Company may from time to time enter into foreign currency derivative contracts to reduce its exposure to foreign currency risks

(iv) Credit risk:

Certain of the Company's financial assets, including cash, short-term investments and accounts receivable are exposed to the risk of financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company is also exposed, in the normal course of business, to credit risk from customer receivables. These amounts are continually monitored by management for collectability, and, in general, are lower risk as they are typically due from large commercial partners with very limited credit risk.

(v) Interest rate risk:

Interest risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company is exposed to variable interest rates as a result of its senior secured debt, which currently bears interest at the Canadian BA rate plus 3.0%. Given the historical variability in the BA rate, it is management's opinion that the Company is not currently exposed to significant interest rate risk.