

---

**Astron Connect Inc.**

**Condensed Interim Consolidated Financial  
Statements**

**For the Nine Months Ended**

**June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

---

### **NOTICE TO READER**

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

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

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

ASTRON CONNECT INC.  
Condensed Interim consolidated Statements of Financial Position  
As at  
(Expressed in Canadian Dollars)

	Note	June 30, 2021	September 30, 2020
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		1,080,352	1,597,469
Trade and other receivables	5	247,372	329,655
Inventory	6	100,593	106,238
Prepaid expenses		82,855	72,263
		1,511,172	2,105,625
Deposits		30,370	30,370
Property and equipment	7	13,836	35,821
Intangible assets	8	124,601	138,935
Right-of-use assets	9	88,344	220,859
Total Assets		1,768,323	2,531,610
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	162,637	205,273
Lease liabilities	9	96,195	167,139
Deferred revenue		217,273	217,273
		476,105	589,685
Lease liabilities	9	-	64,660
CEBA loan	11	60,000	40,000
		536,105	694,345
<b>Shareholders' Equity</b>			
Share capital	12	7,535,477	7,535,477
Reserves		413,788	455,392
Deficit		(6,717,047)	(6,153,604)
		1,232,218	1,837,265
Total Liabilities and Shareholders' Equity		1,768,323	2,531,610

Approved on behalf of the Board of Directors:

"Iris Duan"

Director

"S.Randall Smallbone"

Director

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC.  
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	Nine Months Ended
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Sales	-	325,998	41,953	344,227
Cost of sales	6	220,729	31,046	238,031
Gross profit	-	105,269	10,907	106,196
<b>Expenses</b>				
Advertising and promotion expenses	-	12,600	7,368	15,506
Amortization	7,89	55,868	24,858	66,002
Consulting expenses		13,975	6,000	37,002
Director fees	13	15,000	18,000	54,000
Filing expenses		2,500	2,500	22,489
Meeting and conference expense		14,048	-	11,963
Office expenses		181	23,182	87,534
Professional fees		23,357	20,207	62,992
Rental expenses		-	10,202	74,549
Salary and benefits		12,864	69,927	299,550
Selling and distribution expenses		-	4,999	5,822
Stock-based compensation	12	(2,524)	(72)	31,471
Foreign exchange gain or loss		4,993	-	(453)
		127,661	187,168	768,427
Loss from operations		(127,660)	(81,899)	(662,231)
Other (loss) income		(2,642)	7,942	19,758
Net loss and comprehensive loss for the period		(130,302)	(73,957)	(642,473)
<b>Loss per common share</b>				
Basic and fully diluted		(0.01)	(0.00)	(0.01)
Weighted average number of common shares outstanding		10,437,901	10,248,753	8,753,686

See accompanying notes to the consolidated financial statements.

ASTRON CONNECT INC.

Condensed interim consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Shares	Amount \$	Reserves \$	Deficit \$	Total \$
<b>September 30, 2019</b>	6,350,401	6,006,234	389,829	(4,854,159)	1,541,904
Private placement, net of share issuance costs	3,937,500	1,469,243	19,562	-	1,488,805
Shares issued for acquisition of Manna Resources Inc.	150,000	60,000	-	-	60,000
Stock based compensation	-	-	46,001	-	46,001
Net loss for the year	-	-	-	(1,299,445)	(1,299,445)
<b>September 30, 2020</b>	10,437,901	7,535,477	455,392	(6,153,604)	1,837,265
Stock based compensation	-	-	(41,604)	-	(41,604)
Net loss for the period	-	-	-	(563,443)	(563,443)
<b>June 30, 2021</b>	10,437,901	7,535,477	413,788	(6,717,047)	1,232,218

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC.  
Condensed Interim consolidated Statements of Cash Flows  
For the Nine Months Period Ended June 30,  
(Expressed in Canadian Dollars)

	Note	2021 \$	2020 \$
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		(563,443)	(642,473)
Items not affecting cash:			
Amortization	7,8,9	168,834	66,001
Stock-based compensation		(41,604)	31,471
Lease inducements		-	(4,345)
Changes in other working capital:			
Trade and other receivables		82,281	(302,532)
Inventory		5,646	(184,771)
Prepaid expenses		(10,591)	34,569
Accounts payable and accrued liabilities		(42,637)	(45,019)
Deferred revenue		-	4,999
Cash (used in) operating activities		(401,514)	(1,042,100)
Net proceeds from shares issued for cash	12	-	1,500,000
Government assistance	11	20,000	40,000
Repayment of lease obligations		(135,603)	-
Cash provided by (used in) financing activities		(115,603)	1,540,000
Increase (Decrease) in cash		(517,117)	497,900
Cash and cash equivalents, beginning		1,597,469	1,320,643
Cash and cash equivalents, ending		1,080,352	1,818,543

See accompanying notes to the consolidated financial statements

## 1. NATURE OF OPERATIONS

Astron Connect Inc. (the "Company") was incorporated on February 20, 2017 under the Business Corporations Act (British Columbia). The Company is engaged primarily in the business of distribution and sale of beverage and food products in Canada, China and emerging markets. On August 24, 2018, the Company changed its name from Exalt Capital Corp. to Astron Connect Inc. and began trading under the symbol "AST" under the TSX Venture Exchange ("TSX.V").

### Impact of COVID-19

The Company's operations have been significantly adversely affected by the effects of a widespread global outbreak of the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the ultimate impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

The principal and registered office of the Company is at 2300 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiary are prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by IASB, and accordingly do not include all the information required full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 3 to the Company's annual consolidated financial statements for the year ended September 30, 2020. The condensed interim consolidated financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the board of directors on August 27, 2021.

### b) Basis of preparation

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The Company is in an early stage of commercialization and will be required to attain profitability or generate additional financing as needed. These condensed interim consolidated financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

As at June 30, 2021, the Company had working capital of \$1,035,067 (2020: \$1,515,940) and an accumulated deficit of \$6,717,047 (2020: \$6,153,604) since inception. During the period ended June 30, 2021, the Company incurred a net and comprehensive loss of \$563,443 (June 30, 2020: \$642,473).

Management's current strategy is to focus on expanding its market share of the beverage and food products industry in China and emerging market, at the same time exercising careful cost control to sustain operations in the near term. Management recognizes the Company's need to increase its cash reserves in the coming year if it intends to adhere to its sales and marketing plans and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible equity or debt financing. Although management intends to assess and act on these options through the course of the year, there can be no assurance that the steps management takes will be successful.

## 2. BASIS OF PRESENTATION (continued)

### c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3(c). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### d) Functional and presentation currency

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

### e) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3(o).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments to all periods presented that would have a material impact on these consolidated financial statements.

### a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements.

Entity	Country of incorporation	Ownership
Sachiel Holdings Ltd.	Canada	100%
Sachiel Water Inc.	Canada	100%
Manna Resources Inc.	Canada	100%

### b) Foreign currency translation

Transactions denominated in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Financial instruments

##### **Classification**

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL).

The financial instruments' classification under IFRS 9 *Financial Instruments* ("IFRS 9") is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

##### **Measurement**

###### Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value plus transaction costs directly attributable to the asset/liability, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of operations and comprehensive loss.

###### Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of operations and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of operations and comprehensive loss.

##### **Impairment**

The Company prospectively estimates the expected credit losses associated with the debt instruments accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) as allowed by IFRS 9 under the simplified method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Derecognition**

Financial assets

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of operations and comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

e) Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

f) Inventory

Inventory, comprising raw materials and finished goods, is stated at the lower of cost and net realizable value. The cost of inventories is determined on a weighted-average basis. Cost of finished goods comprise original purchase costs and cost of delivery to the Company's distribution centres, including freight, non-refundable taxes and other landing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, which would impair the value of inventory on hand. An allowance for obsolete, slow-moving or defective inventories is made where necessary.

g) Property and equipment

Property and equipment is stated at cost less accumulated amortization and any accumulated impairment losses. The cost of property and equipment includes the acquisition costs and any direct costs to bring the asset into productive use at its intended location.

Amortization of property and equipment is calculated using the straight-line method to write-off the cost, net of any estimated residual value, over their estimated useful life as follows:

Leasehold improvements	Lease term
Office equipment	3 years
Furniture	3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Intangible assets

Intangible assets include trademark, website, customer relationships and list and water use rights.

Water use rights represent lease and exclusive use of and access to fresh water bottling facilities. Water use rights are carried at cost less accumulated amortization. Water use rights are amortized over the term of 10 years using the straight-line method.

Trademark and website represent the expenditures incurred. Trademark is indefinite life intangible assets and are measured at cost less any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash Generating Unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Trademark and customer relationships and list acquired through business combinations are initially recorded at their fair value.

The Company amortizes its intangible assets using the straight-line method over their estimated useful lives, as follows:

	Method	Period
Water use rights	straight-line	10 years
Website	straight-line	3 years
Customer relationships and list	straight-line	5 years
Trademark	straight-line	indefinite

Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

i) Impairment

(i) Financial assets

Financial assets not carried at FVTPL or FVOCI are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated by reference to the higher of the value in use and fair value less costs to sell. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) impairment (continued)

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### j) Revenue recognition

Revenue is recognized by applying the five-step model under IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The Company recognizes revenue when, or as the goods or services are transferred to the control of the customer and performance obligations are satisfied.

The Company generates its revenue from the sale of beverage and food products. The Company's revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled. The amounts recognized as revenue represent the fair value of the consideration received or receivable from third parties on the sales of goods, net of goods and services taxes and less returns, and discounts, at which time there are no conditions for the payment to become due other than the passage of time. Deferred revenue represents customer deposits received in advance of delivery of products.

Performance obligations are satisfied at the point in time when products are delivered based on the volumes to customers at contractual delivery points, and prices have been agreed to with the purchaser and collectability is reasonably assured. Delivery is generally freight on board destination unless specified otherwise in the contract.

#### k) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income/loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the issuance of shares are bifurcated between shares and warrants, with the value of the warrants determined using residual method.

n) Stock based compensation

The Company follows the fair value method of accounting for share options. Compensation expense is recorded for share options over the vesting period with a corresponding increase to reserve. The fair value of the share options is measured at grant date, using Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The forfeiture rate assumption is based on historical results and the annualized volatility is based on the Company's historical share prices.

The amount recognized as expense is adjusted to reflect the number of share options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve. Stock based compensation to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### o) Leases (continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- i) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) amounts expected to be payable under a residual value guarantee;
- iv) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

#### p) Significant accounting estimates and judgments

Significant assumptions about the future and key sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

##### *Critical accounting estimates*

#### (i) Impairment of long-lived assets

Determining the amount of impairment of long-lived assets requires an estimation of the recoverable amount. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company's long-term assets, such as office equipment, customer relationship and lists, leasehold improvements, trademark, website and water use rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

*Critical accounting estimates* (continued)

(ii) Allowances for doubtful accounts and bad debts

The Company makes estimates for allowances that represent estimate of potential losses in respect of trade and other receivables. An allowance for doubtful accounts is estimated based on management's assessment of the credit history with the customer and current relationships with them. Estimates used to determine the amount of allowance required involve uncertainties.

(iii) Reserve for inventory obsolescence

In determining the lower of cost or net realizable value of inventory, the provision for inventory obsolescence is estimated based on a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, if required. Refer to note 6 for more information.

(iv) Stock based compensation

Stock based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Stock based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

(v) Fair value of consideration in asset acquisition

The fair value of consideration to acquire Manna Resources Inc ("Manna") in the asset acquisition transaction comprised of common shares and cash. Common shares were fair valued on the date of issuance. The Company applied IFRS 2 *Share-based Payment* in accounting for the transaction.

(vi) Current and deferred taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

(vii) Useful lives of long-lived assets

Following initial recognition, the Company carries the long-lived assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the long-lived resulting in a change in related amortization expense.

(viii) Incremental borrowing rate

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liabilities. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in similar economic environment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

*Critical accounting judgments*

(i) Transaction to acquire Manna

Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion. The transaction was accounted for as an asset acquisition.

(ii) Right-of-use assets and lease liability

For right of use assets and lease liability, the Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

(iii) Functional currency

The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

4. ACQUISITION OF MANNA RESOURCES INC.

On March 30, 2020, the Company entered into a share purchase agreement (the "Agreement") to purchase all of the issued and outstanding shares of Manna Resources Inc. ("Manna"), a third-party private company incorporated in British Columbia. Manna operates a bottled water trading business focused on the China and other Asian markets under the "Manna Water" brand. The purchase price of \$100,000 comprised of \$40,000 cash (unpaid) and \$60,000 of the Company's common shares issued at a fair value of \$0.05 per share (a total of 1,200,000 shares).

The transaction is recorded in accordance with guidance provided in IFRS 2 *Share-based Payments* and IFRS 3 *Business Combinations* ("IFRS 3"). As Manna did not qualify as business according to the definition in IFRS 3, this transaction does not constitute a business combination; rather it is treated as an issuance of shares by the Company for the net assets of Manna (the "Transaction").

As a result, the Transaction has been measured at the fair value of equity consideration issued at the acquisition date. The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:



4. ACQUISITION OF MANNA RESOURCES INC. (continued)

<b>Purchase Price Consideration</b>	
	\$
Cash	40,000
Shares	60,000
	100,000
Acquisition costs	9,849
<b>Total purchase Price Consideration</b>	<b>109,849</b>
<b>Net Identifiable Assets Acquired</b>	
Accounts receivable	2,794
Trademark	42,800
Customer list	95,565
Accounts payable	(31,310)
<b>Total net identifiable assets acquired</b>	<b>109,849</b>

5. TRADE AND OTHER RECEIVABLES

	<b>June 30, 2021</b>	<b>September 30, 2020</b>
	\$	\$
Trade receivables	212,989	307,230
Other receivables	34,383	22,425
	247,372	329,655

6. INVENTORY

	<b>June 30, 2021</b>	<b>September 30, 2020</b>
	\$	\$
Raw materials	100,593	106,238
	100,593	106,238

The cost of inventory recognized as cost of sales during the period ended June 30, 2021 was \$31,046 (March 31, 2020: \$17,301). There were no write-downs of inventories nor any reversals of write-downs for all periods presented. Prepaid expenses included prepaid amounts for inventory of \$65,341 (2020: \$66,539).

7. PROPERTY AND EQUIPMENT

<b>Cost</b>	<b>Leasehold improvements</b>	<b>Furniture</b>	<b>Office equipment</b>	<b>Total</b>
	\$	\$	\$	\$
September 30, 2019	117,609	32,122	18,969	168,700
Additions	-	-	-	-
September 30, 2020	117,609	32,122	18,969	168,700
Additions	-	-	-	-
June 30, 2021	117,609	32,122	18,969	168,700
<b>Accumulated amortization</b>	<b>Leasehold improvements</b>	<b>Furniture</b>	<b>Office equipment</b>	<b>Total</b>
September 30, 2019	55,346	21,414	11,415	88,175
Additions	27,673	10,707	6,324	44,704
September 30, 2020	83,019	32,122	17,739	132,880
Additions	20,755	-	1,230	21,985
June 30, 2021	103,773	32,122	18,969	154,865
<b>Net book value</b>	<b>Leasehold improvements</b>	<b>Furniture</b>	<b>Office equipment</b>	<b>Total</b>
September 30, 2020	34,590	-	1,230	35,821
June 30, 2021	13,836	-	-	13,836

8. INTANGIBLE ASSETS

<b>Cost</b>	<b>Water Use Rights</b>	<b>Website</b>	<b>Trademark</b>	<b>Customer List</b>	<b>Total</b>
	\$	\$	\$	\$	\$
September 30, 2019	109,500	79,905	10,127	-	199,532
Additions	-	-	-	-	-
Acquired through business acquisition	-	-	42,800	95,565	138,365
September 30, 2020	109,500	79,905	52,927	95,565	337,897
Additions	-	-	-	-	-
June 30, 2021	109,500	79,905	52,927	95,565	337,897
<b>Accumulated amortization</b>	<b>Water Use Rights</b>	<b>Website</b>	<b>Trademark</b>	<b>Customer List</b>	<b>Total</b>
September 30, 2019	23,268	53,272	-	-	76,540
Additions	10,950	26,633	-	9,557	47,140
Impairment	75,282	-	-	-	75,282
September 30, 2020	109,500	79,905	-	9,557	198,962
Additions	-	-	-	14,333	14,333
June 30, 2021	109,500	79,905	-	23,890	213,295
<b>Net book value</b>	<b>Water Use Rights</b>	<b>Website</b>	<b>Trademark</b>	<b>Customer List</b>	<b>Total</b>
September 30, 2020	-	-	52,927	86,008	138,935
June 30, 2021	-	-	52,927	71,675	124,601

On August 15, 2017, the Company signed a Lease and Exclusive Water Use Rights Agreement (the "Agreement") with Canshield Global Capital Inc. ("Canshield"), a third party, to lease and grant exclusive use of and access to Canshield's water license for fresh water bottling at Haven Spring. The Company paid a one-time lump sum of \$109,500, which has been paid by the issuance of 436,530 common shares at an estimated fair value of \$0.25 per share. The term of Agreement is ten years.

During the year ended September 30, 2020, primarily due to the decrease in the Company's revenues, indicators of impairment existed leading to a test of the recoverable amount of the intangible asset. In estimating the recoverable value, measuring fair value, the Company used a discounted cash flow model but determined it could not reliably estimate future revenue streams. The Company compared the indicated fair value using level 3 assumptions to the carrying value of its indefinite-lived assets, and as a result of the analysis, an impairment charge of \$75,232 was recorded to write down its intangible assets for the year ended September 30, 2020.

9. LEASES

As at June 30, 2021, the Company has one lease agreement for its leased office premises. Prior to October 1, 2019, leases of office premises were classified as operating leases. At October 1, 2019, the leases were recognized as a right-of-use asset and a corresponding liability was measured at the present value of the remaining lease payments using the rate of 10%. The right-of-use asset is depreciated over the lease terms.

<b>Cost</b>	<b>Vancouver office</b>
	\$
October 1, 2019	397,546
Additions	-
September 30, 2020	397,546
Additions	-
June 30, 2021	397,546

**Accumulated amortization**

October 1, 2019	-
Additions	176,687
September 30, 2020	176,687
Additions	132,515
June 30, 2021	309,203

**Net book value**

	<b>Vancouver office</b>
September 30, 2020	220,859
June 30, 2021	88,344

**Lease Liability**

	<b>Vancouver office</b>
	\$
October 1, 2019	397,546
Interest	32,295
Payments	(198,042)
June 30, 2021	231,799
Interest	12,927
Payments	(148,531)
June 30, 2021	96,195

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>June 30, 2021</b>	<b>September 30, 2020</b>
	\$	\$
Trade accounts payable	162,637	205,273
	162,637	205,273

11. GOVERNMENT ASSISTANCE

During the period ended June 30, 2021, the Company applied for the COVID-19 Relief Program. Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) provided a direct loan of \$60,000 to the Company. Repayment terms of bank loan are as follows:

- If the loan is repaid by December 31, 2022, 25% (up to \$10,000) will be forgiven.
- If the loan is not repaid by December 31, 2022, the remaining balance will be converted to a three-year term loan at 5% interest

## 12. SHARE CAPITAL

### a) Authorized:

Unlimited number of voting common shares without par value.

### b) Share transactions:

On January 10, 2020, the Company closed a non-brokered private placement, consisting of 30,000,000 units at a price of \$0.05 per unit (the "Units") for aggregate proceeds of \$1,500,000 (the "Private Placement"). Each Unit consists of one common share of the Company and one transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one common share at an exercise price of \$0.05 for a period of one year from the date of closing of the Private Placement. A value of \$nil has been attributed to the warrants using the residual method. Finder's fees consisting of a total of 1,500,000 non-transferable units (the "Finder's Units") fair valued at \$19,562 have been paid in connection with the Private Placement. The Finder's Units have the same terms as the Units except that they are non-transferable. The Company incurred \$11,195 in cash share issuance costs.

On March 30, 2020, the Company entered into a share purchase agreement (the "Agreement") to purchase all of the issued and outstanding shares of Manna in exchange for \$40,000 cash and \$60,000 of the Company's common shares (a total of 1,200,000 shares) (note 4).

During the period ended June 30, 2021, the Company completed a consolidation of its issued and outstanding common shares (the "Shares") on the basis of one new share for every eight currently held Shares.

### c) Stock options

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option granted under the Plan shall not be less than the market value of the shares as at the grant date and vesting provisions for issued options are determined at the discretion of the Board of Directors.

A summary of stock option activities for the period ended June 30, 2021 and September 30, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, September 30, 2019	278,750	2.27
Options forfeited	(41,250)	2.40
Balance, June 30, 2021 and September 30, 2020	237,500	2.27

12. SHARE CAPITAL (continued)

c) Stock options (continued)

As at June 30, 2021 and September 30, 2019, the Company has the following options outstanding and exercisable:

Outstanding as at June 30, 2021			Exercisable as at June 30, 2021			
Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
50,000	\$ 1.76	0.90	6,250	\$ 1.76	0.90	May 25, 2022
187,500	2.40	2.24	153,125	2.40	2.24	September 26, 2023
237,500	\$ 2.27	1.96	159,375	\$ 2.37	2.19	

  

Outstanding as at September 30, 2020			Exercisable as at September 30, 20120			
Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
50,000	\$ 1.76	1.65	50,000	\$ 1.76	1.65	May 25, 2022
187,500	2.40	2.99	1,125,000	2.40	2.99	September 26, 2023
237,500	\$ 2.27	2.71	1,175,000	\$ 2.37	2.93	

On September 26, 2018, the Company granted 256,250 options (2,050,000 options before share consolidation) to directors, officers, employees and consultants. Each option can be exercisable into one common share of the Company at a price of \$0.30 per share for five years from the date of grant. Options are exercisable with 25% of stock options vesting on the date of grant, and 25% each on the first, second and third anniversary of the date of grant respectively. The average grant date fair value of the options was \$0.21 using the Black-Scholes option pricing model using the following assumptions: Expected life: 3 years (2020: 3 years); Volatility: 89.10% (2020 : 67%); Interest rate: 0.23% (2020 : 0.23%) Dividend yield : nil; stock price: \$0.01 (2020 : \$0.04).

12. SHARE CAPITAL (continued)

d) Warrants

The warrants that are issued and outstanding as at June 30, 2021 and September 30, 2019 are as follows:

	Number of warrants	Weighted average Exercise price	Weighted average Years to expiry	Expiry date
Balance, September 30, 2019 and 2018	52,924	\$ 0.96	0.18	
Warrant expired	(43,750)	\$ 0.80		
Issued	3,750,000	\$ 0.40	-	0.47
Issued agent warrant	187,500	\$ 0.40	-	0.47
Balance, September 30, 2020	3,946,674	\$ 0.40	0.03	January 10, 2021
Warrant expired	(3,946,674)	\$ 0.40		
Balance, June 30, 2021	-	\$ -	-	

13. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of balances and transactions with directors and officers of the Company:

	June 30, 2021	June 30, 2020
	\$	\$
<i>Transactions:</i>		
Director fees	45,000	51,000
Compensation	87,750	89,250
Stock-based compensation	-	20,981

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at their estimated fair value amounts.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

**Fair value of financial instruments**

The Company has the following financial instruments as of June 30, 2021 and September 30, 2019:

Financial assets	Categories	June 30, 2021	September 30, 2020
		\$	\$
Cash and cash equivalents	FVTPL	1,080,352	1,597,468
Trade and other receivables (exclude GST)	Amortized cost	212,989	307,230
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	162,637	205,273
Government assistance	Amortized cost	60,000	40,000
Lease liabilities	Amortized cost	96,195	231,799

#### 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The Company classifies its fair value measurements in accordance with the fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The fair value of cash and cash equivalents, trade and other receivables (excluding GST), accounts payable and accrued liabilities, government assistance and lease liabilities approximates their carrying values as at the reporting date due to the short-term maturities of these instruments.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### a) Currency risk

The Company generates revenues and incurs expenses primarily in Canada and China and is exposed to risk from changes in foreign currency exchange rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risk. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At June 30, 2021, the Company had cash of \$73,334 (2020: \$1,075), trade and accounts receivables of \$212,989 (2020: \$307,230), and accounts payable and other payable of \$nil (2020: \$nil), which are denominated in US dollars. For the period ended June 30, 2021, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US dollars by 10% will increase or decrease comprehensive loss by approximately \$28,632 (2020: \$30,700).

##### b) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on cash equivalents is insignificant, as the deposits are short-term. The Company's \$60,000 loan (note 11) is non-interest bearing until December 31, 2022. Any amounts unpaid will be subject to 5% interest. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

##### c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade and other receivables. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables, as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and the consolidated financial statements take into account an allowance for bad debts.

Except for the bad debt of \$nil (2020: \$56,504), there were no overdue trade receivables outstanding as at June 30, 2021 and September 30, 2020 and collection is reasonably assured.



15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At June 30, 2021, the Company had a working capital of \$1,035,067 (2020: \$1,515,940). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

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

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	4 - 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	162,637	162,637	162,637	-	-
Lease liability	96,195	96,195	96,195	-	-
Government assistance	60,000	60,000	-	60,000	-
<b>Total</b>	<b>318,832</b>	<b>318,832</b>	<b>258,832</b>	<b>60,000</b>	<b>-</b>

15. CAPITAL MANAGEMENT

The Company has defined its capital as share capital, reserves and accumulated deficit.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed during the year. These objectives and strategies are reviewed on a continuous basis.

16. ECONOMIC DEPENDENCE

The Company operates in a single reportable operating segment: in the business of distribution and sale of beverage and food products in Canada, China and emerging markets. All long-term assets are held in Canada.

As at June 30, 2021, \$212,989 (2020: \$307,230) of the trade and other receivables relates to this customer.

17. COMMITMENTS

The Company has a lease agreement for office space with a term expiring in 2022.

The aggregate minimum rental payments under these arrangements are as follows:

	\$
2021	99,021
<b>Total</b>	<b>99,021</b>