Astron Connect Inc.

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended

June 30, 2022 and 2021

(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 Professional 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, 2022	September 30, 2021
		$	$
Current Assets			
Cash and cash equivalents		927,524	952,475
Trade and other receivables	4	46,832	10,806
Inventory	5	164,936	66,103
Prepaid expenses	5	68,003	104,452
		1,207,295	1,133,836
Property and equipment	6	-	6,917
Intangible assets	7	10,126	10,126
Right-of-use assets	8	-	44,172
Total Assets		1,217,421	1,195,051
Current Liabilities			
Accounts payable and accrued liabilities	9	129,189	156,939
Lease liabilities	8	-	48,696
Deferred revenue		212,273	212,273
		341,462	417,908
Government assistance	10	60,000	60,000
		401,462	477,908
Shareholders' Equity			
Share capital	11	8,035,477	7,535,477
Reserves		469,455	469,455
Deficit		(7,688,973)	(7,287,789)
		815,959	717,143
Total Liabilities and Shareholders' Equity		1,217,421	1,195,051

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)

(Unaudited)

		Three Months Ended		Nine Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		$	$	$	$
Sales		-	-	32,432	41,953
Cost of sales	6	-	-	29,772	31,046
Gross profit		-	-	2,660	10,907
Expenses					
Advertising and promotion expenses		-	(12,600)	-	6,507
Amortization	6,7,8	-	55,868	51,089	168,834
Consulting expenses		18,485	13,975	31,986	49,266
Director fees	12	15,000	15,000	45,000	45,000
Filing expenses		12,134	2,500	17,775	12,782
Meeting and conference expense		-	14,048	7,463	14,048
Office expenses		12,924	178	35,545	85,995
Professional fees		1,385	23,357	26,459	40,782
Rental expenses		12,286	-	14,020	-
Salary and benefits	13	56,931	12,864	147,869	164,044
Selling and distribution expenses		28,380	-	35,514	7,849
Stock-based compensation	11,13	-	(2,523)	-	(41,604)
Foreign exchange gain or loss		-	4,993	-	21,502
		157,525	127,660	412,720	575,006
Loss from operations		(157,525)	(127,660)	(410,060)	(564,098)
Impairment for intangible assets				-	-
Other (loss) income		8,767	(2,642)	8,876	655
Net loss and comprehensive loss for the period		(148,758)	(130,302)	(401,184)	(563,444)
Loss per common share					
Basic and fully diluted		(0.01)	(0.00)	(0.03)	(0.05)
Weighted average number of common shares outstanding		15,437,901	10,437,901	13,789,550	10,437,901

See accompanying notes to the consolidated financial statements.

Astron Connect Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian Dollars)

	Shares	Amount	Reserves	Deficit	Total
		$	$	$	$
September 30, 2020	10,437,901	7,535,477	455,392	(6,153,604)	1,837,265
Stock based compensation	-	-	14,063	-	14,063
Net loss for the year	-	-	-	(1,134,185)	(1,134,185)
September 30, 2021	10,437,901	7,535,477	469,455	(7,287,789)	717,143
Shares issued from private placement, net of share issuance costs					
Net loss for the period	5,000,000	500,000	-	(401,184)	98,816
June 30, 2022	15,437,901	8,035,477	469,455	(7,688,973)	815,959

Astron Connect Inc.

Condensed Interim Consolidated Statements Cash Flows

For the Periods Ended June 30

(Expressed in Canadian Dollars)

	Note	**2022**	**2021**
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(401,184)	(563,444)
Items not affecting cash:			
Amortization of property and equipment and intangible assets	7,8,9	51,089	168,834
Stock-based compensation		-	(41,604)
Changes in other working capital:			
Trade and other receivables		(36,025)	82,281
Inventory		(98,833)	5,646
Prepaid expenses		36,449	(10,591)
Accounts payable and accrued liabilities		(27,751)	(42,637)
Cash used in operating activities		(476,255)	(401,514)
FINANCING ACTIVITIES			
Net proceeds from shares issued for cash	12	500,000	-
Government assistance	11	-	20,000
Repayment of lease obligations		(48,696)	(135,603)
Cash provided by (used in) financing activities		451,304	(115,603)
Decrease in cash		(24,951)	(517,117)
Cash and cash equivalents, beginning		952,475	1,597,469
Cash and cash equivalents, ending		927,524	1,080,352

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 500-666 Burrard Street, Vancouver, British Columbia, Canada, V6C 3P6.

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, 2021. The condensed interim consolidated financial statements should be read in conjunction with the Company's 2021 annual consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the board of directors on August 12, 2022.

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 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. Such adjustments could be material.

As at June 30, 2022, the Company had working capital of $865,833 (2021: $715,928) and an accumulated deficit of $7,688,973 (2021: $7,287,789). During the period ended June 30, 2022, the Company incurred a net and comprehensive loss of $401,184 (2021: $563,444).

Management's current strategy is to focus on expanding its market share of the beverage and food products industry in China and emerging markets, 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(p).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an 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 profit or loss.

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; and
- 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

<u>Financial instruments at amortized cost</u>
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 loss and comprehensive loss.

<u>Financial instruments at fair value</u>
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 loss 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)

c) Financial instruments (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 include 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 costs 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 trademarks, 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.

Trademark and website represent the expenditures incurred. Trademarks are 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reasonable 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 units are bifurcated between shares and warrants, with the value of the warrants determined using residual method by allocating the value to common shares when issued then the residual to be allocated to warrants.

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.

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, furniture, customer relationship and lists, leasehold improvements, trademarks, website and water use rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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)

p) 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.

(iv) Evaluation of the Company's ability to continue as a going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

(v) Impairment of intangible assets

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required.

(vi) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

(Expressed in Canadian dollars)

4. TRADE AND OTHER RECEIVABLES

	June 30, 2022	September 30, 2021
	$	$
Trade receivables	32,432	-
Other receivables	14,400	10,806
	46,832	10,806

5. INVENTORY

	June 30, 2022	September 30, 2021
	$	$
Raw materials	72,462	66,103
Finished goods*	92,474	-
	164,936	66,103

*the finished goods were shipped out subsequent to June 30, 2022.

The Company did not have any write downs of inventories and no reversals of write-downs for all periods presented. Prepaid expenses include prepaid amounts for inventory of $64,750 (2021: $65,341).

6. PROPERTY AND EQUIPMENT

Cost	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
	$	**$**	**$**	**$**
September 30, 2020, 2021 and June 30, 2022	117,609	32,122	18,969	168,700

Accumulated amortization	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
September 30, 2020	83,019	32,122	17,738	132,879
Additions	27,673	-	1,231	28,904
September 30, 2021	110,692	32,122	18,969	161,783
Additions	6,917	-	-	6,917
June 30, 2022	117,609	32,122	18,969	168,700

Net book value	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
September 30, 2021	6,917	-	-	6,917
June 30, 2022	-	-	-	-

(Expressed in Canadian dollars)

7. INTANGIBLE ASSETS

Cost	**Water Use Rights**	**Website**	**Trademark**	**Customer List**	**Total**
	$	**$**	**$**	**$**	**$**
September 30, 2020, 2021 and June 30, 2022	109,500	79,905	52,927	95,565	337,897

Accumulated amortization	**Water Use Rights**	**Website**	**Trademark**	**Customer List**	**Total**
September 30, 2020	109,500	79,905	-	9,557	198,962
Additions	-	-	-	14,333	14,333
Impairment	-	-	42,801	71,675	114,476
September 30, 2021	109,500	79,905	42,801	95,565	327,771
Additions	-	-	-	-	-
June 30, 2022	109,500	79,905	42,801	95,565	327,771

Net book value	**Water Use Rights**	**Website**	**Trademark**	**Customer List**	**Total**
September 30, 2021	-	-	10,126	-	10,126
June 30, 2022	-	-	10,126	-	10,126

During the years ended September 30, 2021, 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 assets. 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, impairment charges of $114,476 were recorded to write down its intangible assets for the year ended September 30, 2021.

(Expressed in Canadian dollars)

8. LEASES

The Company has one lease agreement for its leased office premises which expired as at December 31, 2021. The lease was 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.

Cost	**Vancouver office**
	$
September 30, 2020, 2021and June 30, 2022	397,546

Accumulated amortization	
September 30, 2020	176,687
Additions	176,687
September 30, 2021	353,374
Additions	44,172
June 30, 2022	397,546

Net book value	**Vancouver office**
September 30, 2021	44,172
June 30, 2022	-

Lease Liability	
	Vancouver office
	$
September 30, 2020	231,799
Interest	14,939
Payments	(198,043)
September 30, 2021	48,696
Interest	814
Payments	(49,510)
June 30, 2022	-

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022	**September 30, 2021**
	$	$
Trade accounts payable	105,160	132,910
Salary and benefits payable	24,029	24,029
	129,189	156,939

10. GOVERNMENT ASSISTANCE

During the year ended September 30, 2020, 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 to the Company ("CEBA Loan") of $40,000. During the year ended September 30, 2021, the Company received an additional loan of $20,000. The CEBA Loan has an initial term date on December 31, 2022 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty. On January 22, 2022, the repayment deadline for CEBA loans has been extended to December 31, 2023.

11. SHARE CAPITAL

a) Authorized:

Unlimited number of voting common shares without par value.

b) Share transactions:

On April 1, 2022, the Company completed a non-brokered private placement consisting of 5,000,000 units at a price of $0.10 per Unit. Each Unit consisted of one common share of the Company and one transferable common share purchase warrant. Each warrant will be exercisable to acquire one share at a price of $0.15 each for a period of one year following the closing date of the private placement. A value of $nil has been attributed to the warrants using the residual method.

During the year ended September 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. All references to share and per share amounts in the financial statements and accompanying notes to the consolidated financial statements have been retroactively restated to reflect the eight to one share consolidation.

On January 10, 2020, the Company closed a non-brokered private placement, consisting of 3,750,000 units at a price of $0.40 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 $0.40 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 187,500 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 150,000 shares) (note 4).

c) Stock options

The Company has a stock option plan (the "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.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) Stock options (continued)

A summary of stock option activities for the periods ended June 30, 2022 and September 30, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance, September 30, 2019	278,750	2.40
Options forfeited	(41,250)	2.40
Balance, September 30, 2021	237,500	2.40
Option expired	(50,000)	1.76
Balance, June 30, 2022	187,500	2.40

As at June 30, 2022 and September 30, 2021, the Company has the following options outstanding and exercisable:

Outstanding as at June 30, 2022 / **Exercisable as at June 30, 2022**

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
187,500		2.40	1.24	187,500		2.40	1.24	September 26, 2023
187,500	$	2.40	1.24	187,500	$	2.40	1.24	

Outstanding as at September 30, 2021 / **Exercisable as at September 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	0.65	50,000	$	1.76	0.65	May 25, 2022
187,500		2.40	1.99	187,500		2.40	1.99	September 26, 2023
237,500	$	2.27	1.71	237,500	$	2.27	1.71	

On September 26, 2018, the Company granted 256,250 options to directors, officers, employees and consultants. Each option can be exercisable into one common share of the Company at a price of $2.4 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 $1.68 using the Black-Scholes option pricing model using the following assumptions: Expected life: 2 years (2020: 3 years); Volatility: 89.10% (2020: 67%); Interest rate: 0.23% (2020: 0.23%) Dividend yield: nil; stock price: $0.04 (2020: $0.04).

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

d) Warrants

	Number of warrants		Weighted average Exercise price	Weighted average Years to expiry	Expiry date
Balance, September 30, 2020	3,946,674	$	0.40	0.03	
Warrant expired	(3,946,674)	$	0.40		
Balance, September 30, 2021	-	$	-	-	
Issued	5,000,000	$	0.15	0.75	April 1, 2023
Balance, June 30, 2022	5,000,000	$	0.15	0.75	

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

	June 30, 2022	June 30, 2021
	$	$
Transactions:		
Director fees	45,000	45,000
Salaries and benefits	78,750	78,750

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at their estimated fair value amounts. There is no amount owing to directors and officers.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

The Company has the following financial instruments as of June 30, 2022 and September 30, 2021:

Financial assets	Categories	June 30, 2022 $	September 30, 2021 $
Cash and cash equivalents	FVTPL	927,524	952,475
Trade receivables	Amortized cost	32,432	-
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	129,189	156,939
Government assistance	Amortized cost	60,000	60,000
Lease liabilities	Amortized cost	-	48,696

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, accounts payable and accrued liabilities and lease liabilities approximate their carrying values as at the reporting date due to the short-term maturities of these instruments.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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, 2022, the Company had cash of $46,846 (2021: $83,053) which are denominated in US dollars. For the period ended June 30, 2022, 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 $4,600 (2021: $8,305).

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, 2023. 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.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at June 30, 2022, the Company had a working capital of $865,833 (2021: $715,928). 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.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

d) Liquidity risk (continued)

The following table summarizes the maturities of the Company's financial liabilities as at June 30, 2022 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	129,189	129,189	129,189	-	-
Lease liability	-	-	-	-	-
Government assistance	60,000	60,000	-	60,000	-
Total	189,189	189,189	129,189	60,000	-

14. 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.