
Astron Connect Inc.

**Consolidated Financial Statements
For the Years Ended
September 30, 2021 and 2020
(Expressed in Canadian Dollars)**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ASTRON CONNECT INC.

Opinion

We have audited the consolidated financial statements of Astron Connect Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,134,185 during the year ended September 30, 2021. As stated in Note 2, this event or condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the management's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

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We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 27, 2022

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ASTRON CONNECT INC.
Consolidated Statements of Financial Position
As at September 30
(Expressed in Canadian Dollars)

	Note	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	15	952,475	1,597,469
Trade and other receivables	5	10,806	329,655
Inventory	6	66,103	106,238
Prepaid expenses and deposit	6	104,452	72,263
		1,133,836	2,105,625
Deposits		-	30,370
Property and equipment	7	6,917	35,821
Intangible assets	4,8	10,126	138,935
Right-of-use assets	9	44,172	220,859
		1,195,051	2,531,610
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	156,939	205,273
Lease liabilities	9	48,696	167,139
Deferred revenue		212,273	217,273
		417,908	589,685
Lease liabilities	9	-	64,660
Government assistance	11	60,000	40,000
		477,908	694,345
Shareholders' Equity			
Share capital	12	7,535,477	7,535,477
Reserves		469,455	455,392
Deficit		(7,287,789)	(6,153,604)
		717,143	1,837,265
		1,195,051	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.
Consolidated Statements of Loss and Comprehensive Loss
Years Ended September 30
(Expressed in Canadian Dollars)

		2021	2020
		\$	\$
Sales		41,953	401,383
Cost of sales	6	71,477	347,648
Gross profit		(29,524)	53,735
Expenses			
Advertising and promotion expenses		5,758	256,396
Amortization	7,8,9	219,924	268,531
Bad debt	5	218,681	56,504
Consulting expenses		80,800	70,002
Director fees	14	60,000	54,000
Filing expenses		28,878	27,351
Meeting and conference expense		16,420	11,963
Office expenses		111,052	127,220
Professional fees		50,040	63,994
Rental expenses		(13,262)	(122,916)
Salary and benefits	14	169,842	398,371
Selling and distribution expenses		7,849	6,962
Stock-based compensation	12,14	14,063	46,001
Foreign exchange gain or loss		10,247	-
		980,292	1,264,379
Loss from operations		(1,009,816)	(1,210,644)
Impairment of intangible assets	8	(114,476)	(75,282)
Other expenses		(9,893)	(13,519)
Net loss and comprehensive loss for the year		(1,134,185)	(1,299,445)
Loss per common share			
Basic and fully diluted		(0.11)	(0.14)
Weighted average number of common shares outstanding		10,437,901	9,254,500

See accompanying notes to the consolidated financial statements.

ASTRON CONNECT INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended September 30
(Expressed in Canadian Dollars)

	Shares	Amount \$	Reserves \$	Deficit \$	Total \$
September 30, 2019	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)
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

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC.
Consolidated Statements of Cash Flows
For the Years Ended September 30
(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(1,134,185)	(1,299,445)
Items not affecting cash:		
Amortization	219,924	268,531
Bad debt	218,681	56,504
Stock-based compensation	14,063	46,001
Lease inducements	-	(19,104)
Impairment of intangible assets	114,476	75,282
Changes in non-cash working capital:		
Trade and other receivables	100,168	(329,074)
Inventory	40,135	26,157
Prepaid expenses	(1,819)	53,448
Accounts payable and accrued liabilities	(48,333)	30,470
Deferred revenue	(5,000)	4,999
Cash (used in) operating activities	(481,890)	(1,086,231)
FINANCING ACTIVITIES		
Net proceeds from shares issued for cash	-	1,488,805
Government assistance	20,000	40,000
Repayment of lease obligations	(183,104)	(165,748)
Cash provided by (used in) financing activities	(163,104)	1,363,057
Increase (decrease) in cash	(644,994)	276,826
Cash and cash equivalents, beginning	1,597,469	1,320,643
Cash and cash equivalents, ending	952,475	1,597,469
Cash and cash equivalents consist of the followings:		
Cash	891,541	1,537,132
Cash equivalents	60,934	60,337
	952,475	1,597,469
SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS:		
Common shares issued for asset acquisition	-	60,000
Acquisitions of intangible assets through asset acquisition	-	138,365
Acquisitions of intangible assets included in accounts payable and accrued liabilities	-	42,000
Transaction costs capitalized included in accounts payable	-	9,848

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 consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the board of directors on January 27, 2022.

b) Basis of preparation

These 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 September 30, 2021, the Company had working capital of \$715,928 (2020: \$1,515,940) and an accumulated deficit of \$7,287,789 (2020: \$6,153,604). During the year ended September 30, 2021, the Company incurred a net and comprehensive loss of \$1,134,185 (2020: \$1,299,445).

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

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 loss 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 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.

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 \$0.40 per share (a total of 150,000 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 a business according to the definition in IFRS 3 as there is no substantive process, 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:

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

5. TRADE AND OTHER RECEIVABLES

	September 30, 2021	September 30, 2020
	\$	\$
Trade receivables	-	307,230
Other receivables	10,806	22,425
	10,806	329,655

During the year ended September 30, 2021, the Company recorded bad debt expense of \$218,681 (2020: \$56,504).

6. INVENTORY

	September 30, 2021	September 30, 2020
	\$	\$
Raw materials	66,103	106,238
	66,103	106,238

The cost of inventory recognized as cost of sales during the year ended September 30, 2021 was \$31,046 (2020: \$347,648). During the year ended September 30, 2021, the Company wrote-down inventories for a total of \$40,431 (2020: \$27,000), and no reversals of write-downs for all periods presented. Prepaid expenses includes prepaid amounts for inventory of \$65,341 (2020: \$66,539).

7. PROPERTY AND EQUIPMENT

Cost	Leasehold improvements	Furniture	Office equipment	Total
	\$	\$	\$	\$
September 30, 2019, 2020 and 2021	117,609	32,122	18,969	168,700
Accumulated amortization	Leasehold improvements	Furniture	Office equipment	Total
September 30, 2019	55,346	21,414	11,415	88,175
Additions	27,673	10,708	6,323	44,704
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
Net book value	Leasehold improvements	Furniture	Office equipment	Total
September 30, 2020	34,590	-	1,231	35,821
September 30, 2021	6,917	-	-	6,917

8. INTANGIBLE ASSETS

Cost	Water Use Rights	Website	Trademark	Customer List	Total
	\$	\$	\$	\$	\$
September 30, 2019	109,500	79,905	10,127	-	199,532
Acquired through asset acquisition	-	-	42,800	95,565	138,365
September 30, 2020 and 2021	109,500	79,905	52,927	95,565	337,897
Accumulated amortization	Water Use Rights	Website	Trademark	Customer List	Total
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
Impairment	-	-	42,801	71,675	114,476
September 30, 2021	109,500	79,905	42,801	95,565	327,771
Net book value	Water Use Rights	Website	Trademark	Customer List	Total
September 30, 2020	-	-	52,927	86,008	138,935
September 30, 2021	-	-	10,126	-	10,126

During the years ended September 30, 2021 and 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 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 (2020: \$75,282) were recorded to write down its intangible assets for the year ended September 30, 2021.

9. LEASES

As at September 30, 2021, the Company has one lease agreement for its leased office premises. 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
	\$
October 1, 2019, 2020 and 2021	397,546
Accumulated amortization	
October 1, 2019	-
Additions	176,687
September 30, 2020	176,687
Additions	176,687
September 30, 2021	353,374
Net book value	
September 30, 2020	220,859
September 30, 2021	44,172
Lease Liability	
	Vancouver office
	\$
October 1, 2019	397,546
Interest	32,295
Payments	(198,042)
September 30, 2020	231,799
Interest	14,939
Payments	(198,043)
September 30, 2021	48,696

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	September 30, 2020
	\$	\$
Trade accounts payable	132,910	205,273
Salary and benefits payable	24,029	-
	156,939	205,273

11. 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.

12. SHARE CAPITAL

a) Authorized:

Unlimited number of voting common shares without par value.

b) Share transactions:

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.

There were no share issuances during the year ended September 30, 2021.

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.

A summary of stock option activities for the years ended September 30, 2021 and 2020 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, September 30, 2021 and 2020	237,500	2.27

12. SHARE CAPITAL (continued)

c) Stock options (continued)

As at September 30, 2021 and 2020, the Company has the following options outstanding and exercisable:

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	

Outstanding as at September 30, 2020			Exercisable as at September 30, 2020			
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	140,625	2.40	2.99	September 26, 2023
237,500	\$ 2.27	2.71	190,625	\$ 2.23	2.64	

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).

12. SHARE CAPITAL (continued)

d) Warrants

The warrants that are issued and outstanding as at September 30, 2021 and 2020 are as follows:

	Number of warrants	Weighted average Exercise price	Weighted average Years to expiry	Expiry date
Balance, September 30, 2019	52,924	\$ 0.96	0.18	
Warrants expired	(43,750)	\$ 0.80		
Issued	3,750,000	\$ 0.40	0.28	January 10, 2021
Issued agent warrants	187,500	\$ 0.40	0.28	January 10, 2021
Balance, September 30, 2020	3,946,674	\$ 0.40	0.28	
Warrants expired	(3,946,674)	\$ 0.40		
Balance, September 30, 2021	-	\$ -	-	

13. INCOME TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2021	2020
	\$	\$
Loss for the year	(1,156,685)	(1,299,445)
Canadian statutory tax rate	27%	27%
Income tax benefit computed at statutory rates	(312,305)	(350,850)
Items non-deductible for income tax purposes	3,797	35,250
Unused tax losses and tax offsets not recognized in tax asset	308,508	315,600
Income tax benefit	-	-

The Company's statutory rate includes a combined Canadian federal corporate tax rate of 16% and the applicable provincial corporate tax rate of 11%.

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2021	2020
	\$	\$
Non-capital losses	5,358,400	4,201,700
Property and equipment	117,078	88,178
Intangibles	76,537	159,031
Share issuance costs	49,674	78,989
Unrecognized deductible temporary differences	5,601,689	4,527,898

The Company's unrecognized unused non-capital losses have the following expiry dates:

	\$
2036	10,400
2037	508,300
2038	969,900
2039	1,559,660
2040	1,153,440
2041	1,156,700
	5,358,400

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2021	2020
	\$	\$
<i>Transactions:</i>		
Director fees	60,000	54,000
Salaries and benefits	105,000	140,750
Stock based compensation	9,375	30,821

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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

The Company has the following financial instruments as of September 30, 2021 and 2020:

Financial assets	Categories	September 30, 2021	September 30, 2020
		\$	\$
Cash and cash equivalents	FVTPL	952,475	1,597,468
Trade and other receivables (exclude GST)	Amortized cost	-	307,230
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	156,939	205,273
Government assistance	Amortized cost	60,000	40,000
Lease liabilities	Amortized cost	48,696	231,799

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

15. 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 September 30, 2021, the Company had cash of \$83,053 (2020: \$1,075), trade and accounts receivables of \$nil (2020: \$307,230), and accounts payable and other payable of \$nil (2020: \$nil), which are denominated in US dollars. For the year ended September 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 \$8,305 (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 \$218,681 (2020: \$56,504), there were no overdue trade receivables outstanding as at September 30, 2021 and 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. As at September 30, 2021, the Company had a working capital of \$715,928 (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 September 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	156,939	156,939	156,939	-	-
Lease liability	48,696	49,510	49,510	-	-
Government assistance	60,000	60,000	-	60,000	-
Total	265,635	266,449	206,449	60,000	-

16. 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.

17. 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.

During the year ended September 30, 2021, sales with one customer provided 100% of total sales (2020: 96%). As at September 30, 2021, \$nil (2020: \$307,230) of the trade and other receivables relates to this customer.