BC Craft Supply Co. Ltd. (Formerly, Pasha Brands Ltd.)
Consolidated Financial Statements
For the Twelve Months Ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

KRP KINGSTON ROSS PASNAK LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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September 16, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BC Craft Supply Co. Ltd.

Opinion

We have audited the consolidated financial statements of BC Craft Supply Co. Ltd. (the Company), which comprise the consolidated statements of financial position as at September 30, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and 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 the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company has accumulated net losses and a working capital deficit during the year ended September 30, 2021 and, subsequent to the year end the Company entered into a Notice of Intention to make a Proposal, a procedure under the Canadian Bankruptcy and Insolvency Act, in an attempt to restructure the Company’s financial affairs. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended September 30, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 29, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's 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 auditor's 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 IFRS, 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.

Auditor's 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 auditor's 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent Auditor's Report to the Shareholders of BC Craft Supply Co. Ltd.
(continued)

- 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 auditor’s 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 auditor’s 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 auditor's report is Justin Rousseau.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

BC CRAFT SUPPLY CO. LTD. (FORMERLY, PASHA BRANDS LTD.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	September 30, 2021 $	September 30, 2020 $
ASSETS		
Current		
Cash	**24,559**	190,046
Taxes receivable	**67,098**	356,698
Accounts receivable (Note 7)	**66,539**	232,814
Due from Indiva (Note 7)		-
Prepaid expenses (Notes 6)	**272,320**	235,008
Total current assets	**430,515**	1,014,566
Non-current		
Intangible assets (Notes 8)	**367,312**	7,204,064
Right of use asset (Note 16)		100,186
Land and leasehold improvements in progress (Notes 5)		1,158,534
TOTAL ASSETS	**797,827**	9,477,350
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Liabilities		
Accounts payable and accrued liabilities (Notes 9)	**1,793,495**	2,881,024
Consideration payable (Note 13)	**-**	8,842,773
Promissory notes (Notes 11)	**2,547,412**	2,146,611
Convertible debentures (Note 10)	**3,662,672**	2,978,306
Mortgage payable (Note 12)	**-**	300,000
Derivative liability (Note 10)	**26,224**	239,116
Deferred revenue		31,756
Lease liability (Note 16)	**205,596**	234,843
Current liabilities	**8,235,339**	17,654,429
Long term liabilities		
Lease liability (Note 16)	**243,031**	395,968
Total liabilities	**8,478,430**	18,050,397
Shareholders' Equity (Deficiency)		
Share capital (Note 15)	**84,123,264**	73,177,933
Reserves	**15,675,210**	9,013,311
Deficit	**(107,479,076)**	(90,764,291)
Total shareholders' equity (deficiency)	**(7,680,602)**	(8,573,047)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**797,827**	9,477,350

Nature of operations and ability to continue as a going concern (Note 1)
Commitments (Note 18)
Subsequent events (Note 21)

Approved and authorized for issuance on behalf of the Board on September16th, 2022

"Brett Walker" , Director
"Matthew Watters" , Director

BC CRAFT SUPPLY CO. LTD. (FORMERLY, PASHA BRANDS LTD.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	September 30 2021	September 30, 2020
	$	$
Revenue	1,078,538	298,311
Cost of sales	(1,002,748)	(269,514)
	75,790	28,797
EXPENSES		
Accretion (Notes 10 and 16)	(417,017)	(1,050,737)
Interest and bank charges (Note 10, 11 and 12)	(664,537)	(1,235,317)
Licensing fees	(40,529)	(139,691)
Consulting fees (Note 14)	(890,597)	(2,192,567)
General & Admin/Office	(136,538)	(480,214)
Corporate development	(277,870)	(80,893)
Travel	(8,700)	(64,209)
Professional fees (Note 14)	(575,114)	(1,118,635)
Salaries and benefits (Note 14)	(494,105)	(1,706,230)
Regulatory fees	(22,355)	(52,020)
Financing Fees & Transaction Cost	(40,525)	(64,209)
Depreciation (Note 16)	(66,792)	(232,995)
Total expenses	(3,676,679)	(8,417,717)
Loss from operations	(3,600,889)	(8,388,920)
Other income (expenses)		
Share based compensation (Note 15)	(1,205,850)	(1,830,777)
Change in Fair Value of Derivative Liability (Note 10)	212,892	188,781
Loss on Sale of Land (Note 5)	1,827	(101,318)
Write off of Accounts Receivable (Note 7)	(131,255)	
Write off of Accounts Payable & Other Liabilities (Note 16)	802,549	
Write off of Loan Receivable (Note 4)	(1,459,963)	
Write off of ROU Asset (Note 16)	(33,394)	(539,175)
Write off of Supply Contract		(100,000)
Impairment of Land/Property (Note 5)		(122,000)
Impairment of Capital Assets (Note 5)	(511,534)	
Impairment of Intangible Assets (Note 8)	(6,869,252)	(4,085,099)
Consideration Paid in Excess (Note 4)	(12,000,046)	
Change in Fair Value of Contingent Consideration (Note 13)	(430,561)	
Gain/(Loss) on Settlement of debt	194,279	(16,716,903)
Change in Fair Value of Consideration Payable (Note 13)		(3,834,719)
Gain on Settlement of Contingent Consideration (Note 13)	8,268,347	
Foreign Exchange Gain/(Loss)	48,068	(58,958)
Loss and Comprehensive Loss for the period	**(16,714,783)**	(35,589,088)
Loss per common share – basic and diluted	**(0.082)**	(0.44)
Weighted average number of common shares – basic and diluted	**203,414,255**	80,688,027

BC CRAFT SUPPLY CO. LTD. (FORMERLY, PASHA BRANDS LTD.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the year ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based payment reserve		Deficit		Total
Balance, September 30, 2019	16,216,612		57,369,134		7,168,509		(55,175,203)		9,362,440
Shares issued to Settle Debt	30,463,634		3,121,977						3,121,977
Conversion of convertible debenture	37,856,291		11,005,765						11,005,765
Private placement, net of share issuance cost	35,009,693		1,695,082						1,695,082
Non-Cash share issuance cost			(14,025)		14,025				
Share based compensation					1,830,777				1,830,777
Net and comprehensive loss for the year							(35,589,088)		(35,589,088)
Balance, September 30, 2020	119,546,176	$	73,177,933	$	9,013,311	$	(90,764,291)	$	(8,573,047)
Shares issued to settle debt	7,678,046		631,600		-		-		631,600
Shares issued to acquire Olympic View Botanicals	15,000,000		1,500,000		-		-		1,500,000
Shares issued to acquire Ava Holdings	41,000,000		4,715,000		3,608,000-		-		8,323,000
Shares issued to close Private Placement related to FeelWell Acquisition	5,953,280		500,000						500,000
Shares issued to newly appointed Director	1,562,000		99,968						99,968
Shares issued to Acquire FeelWell Brands	30,812,320		2,750,000		1,078,430				3,828,430
Shares issued for warrant exercises	4,808,844		491,798		(7,013)		-		484,785
Shares issued for option exercises	1,285,788		256,967		(128,388)		-		128,579
Share based compensation	-		-		2,110,868		-		2,110,868
Net and comprehensive loss for the period	-		-		-		(16,714,783)		(16,714,783)
Balance, September 30, 2021	227,645,554		84,123,264		15,675,210		107,479,076)		(7,680,900)

On February 25th, 2020, the Company completed a share consolidation on the basis of 12 pre-consolidation shares for one post-consolidation share ("Consolidation Ratio"). Outstanding stock options and warrants were adjusted by the Consolidation Ratio. All common shares and per common share amounts in the 2020 financial statements were retroactively restated to reflect the share consolidation

On December 24th, 2021, the Company completed a share capital consolidation on a 100:1 basis (the "Consolidation Ratio"). Outstanding stock options and warrants will be adjusted by the Consolidation Ratio. All common shares and per common share amounts will be restated to reflect the share consolidation.

BC CRAFT SUPPLY CO. LTD. (FORMERLY, PASHA BRANDS LTD.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

	September 30, 2021	**September 30,2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	**(16,714,785)**	(35,589,088)
Non-cash items		
Accretion	**417,017**	1,050,737
Share based compensation	**1,205,850**	1,830,777
Interest expense	**708,029**	1,229,231
Consideration paid in excess of identifiable assets	**12,000,046**	-
Derivative liability	**(212,892)**	(188,781)
Foreign exchange	**(48,988)**	21,537
Write off of accounts payable	**(797,600)**	
Loss on settlement of debt	**(196,106)**	16,716,903
Loss on impairment of intangible assets	**6,869,252**	4,085,099
Loss on impairment of Capital Assets	**511,534**	101,318
Write off Loan Receivable	**1,445,506**	-
Write off of Right of use asset	**33,394**	539,175
Depreciation	**66,792**	232,995
Gain on settlement of contingent consideration	**(8,268,347)**	-
Revaluation of consideration payable	**430,561**	3,834,719
Change in fair value of land		122,000
Write off of prepaid supply contract		100,000
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	**614,740**	2,949,491
GST receivable	**289,600**	(122,611)
Accounts receivable	**72,750**	(232,814)
Deferred revenue	**(31,756)**	(200,772)
Due from Indiva	**93,525**	
Prepaid expenses	**82,688**	(20,654)
Net cash flows used in operating activities	**(1,429,189)**	(3,540,738)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of land, net of transaction costs	**527,000**	571,706
Leasehold improvement	**-**	(80,634)
Net cash flows provided by (used in) investing activities	**527,000**	491,702
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liability	**(73,424)**	(103,591)
Promissory notes received	**576,210**	1,240,614
Promissory note repaid	**(671,370)**	-
Mortgage Proceeds		431,000
Mortgage repayment	**(300,000)**	(136,229)
Cash received from exercise of warrants	**484,785**	-
Cash received from exercise of options	**131,704**	-
Cash acquired from acquisition of Feelwell Brands	**18,797**	
Cash acquired from acquisition of Olympic View Botanicals	**70,000**	-
Private Placement Net of share issuance cost	**500,000**	1,695,082
Net cash flows provided by financing activities	**736,702**	3,126,876
Decrease in cash	**(165,487)**	77,210
CASH – beginning	**190,046**	112,836
CASH – ending	**24,559**	190,046

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

BC Craft Supply Co. Ltd. (the "Company" or "BC Craft") (formerly Pasha Brands Ltd.) ("Pasha") was incorporated in the province of British Columbia on April 5, 2018. The Company is a vertically integrated, prohibition-era brand house rooted in British Columbia's craft cannabis industry and is a listed issuer on the Canadian Securities Exchange ("CSE") under the symbol "CRFT", the Frankfurt Stock Exchange (FSE) trading under the ticker symbol "ZZD" and on OTC Markets, under the symbol "CRFTF". On May 12, 2020, the Company changed its name to BC Craft Supply Co. Ltd.

The Company's registered and records office is suite 810-789 West Pender, Vancouver, British Columbia, V6C 2V6.

On July 12, 2018, Pasha entered into a definitive amalgamation agreement (the "Definitive Agreement") with Broome Capital Inc. ("Broome"), a publicly listed entity on the TSX Venture Exchange ("TSX-V") and 1171298 B.C. Ltd. ("Subco"), a wholly owned subsidiary of Broome and completed a reverse take-over ("RTO") on June 3, 2019. The RTO was accounted for as a share-based payment transaction on the basis that Broome did not meet the definition of a business as it had no ongoing business operations. As BC Craft is deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying values

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the next 12 months rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations was dependent on its ability to successfully come through the BIA procedure (outlined below and in Note 21). During the twelve months ended September 30, 2021, the Company has revenues of $1,078,538 (September 30, 2020 - $298,311), has accumulated losses of $16,714,783 (September 30, 2020 - $35,589,088) and working capital deficiency of $7,804,884 (September 30, 2020 - $16,639,863). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In January 2022 the Company entered into the Notice of Intention to make a Proposal ("NOI"), a procedure under the Canadian Bankruptcy and Insolvency Act ("BIA") in an attempt to restructure the Company's financial affairs through a formal "Proposal" whereby the creditors of the corporation must vote on and approve the settlement terms and conditions. BC Craft successfully completed the Proposal on May 10th, 2021, when the BC Supreme Court approved the Proposal with 100% of voting shareholders in favour of same. As a result of the successful vote, the Company eliminated in excess of $7 million in debt and liabilities from its balance sheet.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the accounting policies described in Note 3 below as at and for the year ended September 30, 2021.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC").

These consolidated financial statements have been prepared on the accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on September 16th, 2022.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (CONTINUED)

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled entities are as follows:

		Percentage owned	
	Country of incorporation	**September 30, 2021**	**September 30 2020**
BC Craft Supply Co. Ltd.	Canada	100%	100%
Royal Green Acres Manufacturing Ltd. ("RGAM")	Canada	100%	100%
Medcann Health Products Ltd.	Canada	100%	100%
Olympic View Botanicals Ltd.	Canada	100%	0%
Ava Pathways Inc.	Canada	100%	0%
Feelwell Brands	Canada	100%	0%
1198937 B.C. Ltd.	Canada	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant Accounting Judgements, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The estimation of share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes Option Pricing Model.

Deferred taxes

The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

Estimated useful lives and depreciation of intangible assets

Depreciation of finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combination and asset acquisition

Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. More specifically, management concluded that all of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes, and outputs. Since it was concluded that the acquisition represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired was calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company will engage third party qualified valuators to perform the valuation.

Impairment on intangible assets

Significant judgement and estimates are used in assessing whether the carrying value of intangible assets will be recoverable from future operations of through subsequent sale. Judgement is used in the determination of whether the intangible assets will be used in the future. Estimates are used in determining the estimated future revenue and costs that are expected to be derived from the intangible assets and the estimated discount rate and future capital expenditures which are included, and form part of the discounted cash flow analysis related to the evaluation of whether the intangible assets are impaired.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended September 30, 2021, and September 30, 2020. 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. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. Management also factored that in January 2022 the Company entered into the Notice of Intention to Make a Proposal ("NOI"), a procedure under the Canadian Bankruptcy and Insolvency Act ("BIA") in an attempt to restructure the Company's financial affairs through a formal "Proposal" whereby the creditors of the corporation must vote on and approve the settlement terms and conditions. BC Craft successfully completed their Proposal on May 10th, 2022, when the BC Supreme Court approved the Proposal with 100% of voting shareholders in favor of same. As a result of the successful proposal, the Company eliminated in excess of $7 million in debt and liabilities from its balance sheet. Further details on this process are in Note 21.

b) Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These consolidated financial statements are presented in Canadian dollars which is the Company's and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the consolidated statement of loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives), or the Company has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not have any financial assets as at September 30, 2021, or September 30, 2020 classified in this category.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Related party receivable, accounts payable, promissory notes, convertible debentures are recognized at amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). Cash, loan receivable consideration payable and derivative liability are recognized as FVTPL.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition of assets are recognized in profit and loss.

Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized at the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

d) Intangible assets

The Company's intangible assets consist of trademarks brands and formulations. Indefinite life intangible assets are recorded at cost less accumulated impairment losses. Finite life intangible assets will be recorded at cost and amortized, once they are in use, on a straight-line basis over their estimated useful lives.
The Company will use an estimated useful life of 10 years.

e) Impairment of non-financial assets

The Company reviews and evaluates its intangible assets for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.
An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs, and capital costs.
The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.
An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Convertible debentures

Convertible debentures issued for cash are recorded at amortized cost and accounted for as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which will be accreted to face value over the life of the debenture. The derivative liability is remeasured at fair value at each period end subsequent to initial recognition.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

h) Leasehold improvements in progress

Costs incurred toward the construction of the Company's cannabis cultivation facility were being deferred and capitalized until the facility was considered substantially complete and ready for use, at which time it would have been transferred to the appropriate asset category. In March 2022 the Company chose to offload the lease of the Medcann Facility and not to renew the cultivation license. The intangible asset value of the license has been fully impaired (Note 8)

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares.

j) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Share Based Payments

Warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to reserves. When warrants are exercised, the corresponding residual value is transferred from reserves to share capital

Options

The Company recognizes share-based payment expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation expense is recognized when the options are granted with the same amount being recorded as contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, and the risk-free interest rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount. Share-based payment calculations have no effect in the Company's cash position

l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

m) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee’s incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss and comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the lease term and the useful life of the underlying asset. Depreciation is recognized from the commencement date of the lease.

n) Revenue Recognition

The Company generates revenue from the sale of its branded products through its agreement with Safari (a Licensed Producer under the Cannabis Act)
Safari presents the product skews to the provincial boards. The provincial boards issue purchase orders with required shipment date for the product.
Safari invoices the provincial board and the Company invoices Safari. Revenue is recognized on the date of shipment.
Deferred revenue consists of consulting deposits from the Company's micro-cultivators. The deferred revenue balance is reduced, and revenue is recognized, by the Company, evenly over the period the consulting services are provided.
The Company has adopted IFRS 15 which deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services.

Product revenue is recognised once ownership of the products has transferred to the buyer, the amount of revenue is known, and collection is reasonably assured.

o) Comprehensive Income (Loss)

Comprehensive (loss) income consists of net earnings and other comprehensive income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and foreign currency translation.

p) Statement of Cash Flow

The Company is using the indirect method in its presentation of the statement of cash flow

q) New IFRS Standards

Newly Adopted Accounting Standards
The Company did not adopt any new IFRS standards during the year.

Recent Pronouncements not yet effective and that have not been adopted

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

Amendments to IAS 1 – classification of liabilities as current or non-current
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. No significant impact to the Company's financial statements is expected.

Amendments to IAS 8 – accounting policies, changes in accounting estimates and errors
The amendments to IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendments effective for annual periods beginning on or after January 1, 2023, with early application permitted. No significant impact to the Company's financial statements is expected.

Amendments to IAS 12– income taxes
The amendments to IAS 12 implements a so-called ''comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. No significant impact to the Company's income taxes is expected.

Amendments to IAS 16 – property, plant, and equipment – proceeds before intended use
The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The amendment also clarifies the meaning of 'testing whether an asset is functioning properly'. The amendments are applied retrospectively for period beginning on or after 1 January 2022, with early application permitted. No significant impact to the Company's property and equipment balance is expected.

Amendments to IFRS 3 – Reference to the Conceptual Framework
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published with the updated Conceptual Framework) at the same time or earlier. No significant impact to the Company's financial statements is expected.

(Expressed in Canadian dollars)

4. ASSET ACQUISITION

Olympic View Botanicals Ltd.

On December 2, 2020, the Company acquired 100% of the issued and outstanding common shares of Olympic View Botanicals Ltd. ("Olympic"). Olympic brings unique cultivars for the craft market that the industry has not seen yet. As consideration, the negotiated purchase price was to be settled with the issuance of 15,000,000 common shares with a fair value of $1,500,000.

The acquisition of Olympic does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination.

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	$
Issuance of 15,000,000 common shares	1,500,000
Total consideration paid	1,500,000
Net assets acquired	
Current assets	
Cash	70,000
Long-term assets	
Right-of-use assets	395,278
Liabilities	
Right of use liabilities	(395,278)
Total net assets acquired	70,000
Consideration paid in excess of identifiable assets	1,430,000

The remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed $1,430,000 in the Statement of Loss and Comprehensive Loss.

Due to funding limitations and the Company did not build out the facility post acquisition. In addition, due to the facility not being built out, the lease on the facility was not triggered. As a result, the Company has fully impaired the right of use asset and written off the associated lease liability.

Ava Pathways Ltd.

On March 5, 2021, the Company acquired 100% of the issued and outstanding common shares of Ava Pathways Ltd. ("Ava"). Ava is exploring the therapeutic scientific benefits of proprietary formulations, using compounds from mushrooms, and was focused on neuroplasticity and alternative ways to treat common and debilitating medical conditions. As consideration, the Company issued 41,000,000 common shares ("consideration unit") with a fair value of $4,715,000. Each consideration unit consisted of one common share and one purchase warrant. Each warrant is exercisable for a period of twenty-four (24) months to purchase one (1) additional common share of the Company at an exercise price of $0.14 per common share. The fair value of the warrants at acquisition date was $3,608,000, calculated using the Black-Scholes method.

The acquisition of Ava does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination.

(Expressed in Canadian dollars)

4. ASSET ACQUISITION (CONTINUED)

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	$
Issuance of 41,000,000 common shares	4,715,000
Issuance of 41,000,000 purchase warrants	3,608,000
Consideration paid in excess of identifiable assets	8,323,000

As Ava was an early-stage business, the remaining unidentifiable assets did not meet the intangible asset criteria for capitalization. As of September 30, 2021, Ava Pathways has no tangible value and did not at the time of acquisition. The only value on this transaction was in the two founders who were the Ph.D. researchers, who had the ability to use their proprietary research and leverage their academic institutional relationships in order to build out a research based psychedelic company. The Company was unable to lock down the researchers to employment contracts and the Company has sat dormant since acquisition.

Accordingly, the Company expensed $8,323,000 in the Statement of Loss and Comprehensive Loss at the date of acquisition.

Somo Industries Inc dba FeelWell Brands

On April 20, 2021, the Company entered into a definitive agreement to acquire 100% of Somo Industries Inc. dba Feelwell Brands. ("Somo"). Somo is based in California and operates Clix, a licensed cannabis brand operation in the state of California. Pursuant to the terms of the arrangement, on May 11, 2021, the Company issued 30,812,320 common shares ("consideration unit") with a fair value of $2,750,000. Each consideration unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at a price of $0.12075 for a period of two years. The fair value of the warrants at acquisition date was $1,078,430, calculated using the Black-Scholes method.

The acquisition of Feelwell Brands did not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination.

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	$
Issuance of 30,812,320 common shares	2,750,000
Issuance of 15,406,160 purchase warrants	1,078,430
Total Consideration Paid	3,828,430
Net Assets Acquired	
Current Assets	
Cash	136,080
Loan Receivable	1,444,187
Long Term Assets	
Intangible Property	32,500
Liabilities	
Accounts Payable	(30,221)
Total Net Assets Acquired	1,582,546

The remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed $2,245,884 in the Statement of Loss and Comprehensive Loss.

(Expressed in Canadian dollars)

4. ASSET ACQUISITION (CONTINUED)

The loan receivable acquired from Feelwell Brands was structured as a call option and bears interest of 8.5% and is compounded monthly. The call option gave the lender right to acquire 100% of the outstanding shares of the borrower and is due on demand. Interest is accrued and payable when the loan is called. The maximum borrowing amount was $10,000,000.

Post acquisition the Somo Group, and the Clix brand, has ceased operations. Clix products were making negative margins. As a result, the Company has impaired the loan receivable asset and the Intangible Intellectual Property associated with the brand. Accordingly, the balance was written off.

5. LAND AND LEASEHOLD IMPROVEMENTS IN PROGRESS

	Land $	Leasehold improvements $	Total $
Balance, September 30, 2019	673,024	550,900	1,223,924
Additions	649,000	80,634	729,634
Change in fair value of land	(122,000)	-	(122,000)
Disposal	(673,024)	-	(673,024)
Balance, September 30, 2020	527,000	631,534	1,158,534
Disposal	(527,000)	-	(527,000)
Impairment of Property/Construction in Progress		(511,534)	(511,534)
Reclassification as prepaid Medcann security		(120,000)	(120,000)
Balance, September 30, 2021	-	-	-

On June 30, 2019, the Company acquired land in Nanaimo, British Columbia for $673,024. On June 16, 2020, the Company sold its property for gross proceeds of $571,706 and paid transaction costs of $1,247. The Company recognized a realized loss on disposal of land of $101,318.

On November 3, 2020, the Company sold its land in Nanaimo, British Columbia for gross proceeds of $527,000 and paid transaction costs of $1,458. The Company recognized a realized gain on disposal of land of $1,827.

On April 1, 2022, the Company transferred, and terminated the Medcann Health Products Ltd lease with Tycor Ventures Inc in return for $120,000. The Company recognized a loss on disposal of property of $511,534 and recorded the $120,000 as a prepaid deposit (Note 6)

The leasehold improvements assets are not ready for their intended use and as a result of the aforementioned sale no amortization has been recorded for the year ended September 30, 2020, and September 30, 2021.

6. PREPAID EXPENSES

	September 30, 2021 **$**	**September 30, 2020** **$**
Deposits	152,320	207,266
Prepaid travel and miscellaneous expenditures	-	24,742
Supply contract	-	3,000
Medcann Security Deposit	120,000	
	272,320	235,008

(Expressed in Canadian dollars)

7. ACCOUNTS RECEIVABLE

On May 13, 2020, the Company entered into a Master Processing Agreement (the “MPA”) with Indiva Limited (“Indiva”) (TSXV:NDVA) (OTCQX:NDVAF) to manufacture and distribute pre-rolls and jarred flowers (“Products”). The MPA is for a one-year renewable term. Pursuant to the terms of the MPA, the Company will procure high quality cannabis and Indiva will manufacture, distribute, and sell these Products. The Company was entitled to 50% of the profits. The Company did not renew this agreement on May 13th, 2021

On May 10, 2021, the Company entered into an agreement with 9869247 Canada Limited D.B.A Safari Flower Co**. (**“SAFARI”**)** to produce and distribute craft quality half gram pre-rolls under BC Craft’s Grizzlers™ Brand in both single and 7 unit packs.

Accounts receivable at September 30, 2021, and September 30, 2020, are summarized in the table below

	September 30, 2021 $	**September 30, 2020 $**
Accounts receivable from Indiva		139,289
Accounts receivable for Indiva material		93,525
Accounts Receivable from Safari	66,539	
	66,539	232,814

Aged receivables at September 30, 2021, and September 30, 2020, are summarized in table below

Days Receivable	**September 30, 2021 $**	**September 30, 2020 $**
<30days	66,539	
30-60 days		93,525
60-90 days		139,289
>90 days		
	66,539	232,814

The Company wrote off $18,567 as part of termination of the Indiva agreement on May 13, 2021

Throughout the year the Company wrote off $131,255 receivables that were no longer collectable as part of the Indiva termination.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

The Company acquired intellectual property and licenses as follows:

	Cultivation License $	**Intellectual Property $**	**Total $**
Balance, September 30, 2019	8,130,601	25,723,989	33,854,590
Debt settlement	-	(22,565,427)	(22,565,427)
Impairment of intellectual property	(1,293,849)	(2,791,250)	(4,085,099)
Balance, September 30, 2020	6,836,752	367,312	7,204,064
Acquisition of Feel well brands Intellectual Property		32,500	
Impairment of Feelwell Brands Intellectual Property (Note 4)		(32,500)	
Impairment of cultivation license	(6,836.752)		
Balance, September 30, 2021	-	367,312	367,312

The intangible assets are not ready for their intended use and no amortization has been recorded for the year ended September 30, 2020, and September 30, 2021.

The Company recognized an impairment of $4,085,099 during the year ended September 30, 2020 as follow:

- The carrying value of the Beard Brothers' IP of $1,522,500 was fully impaired due to the fact that the Company is not expecting to commercialize it in the future.
- The carrying value of the Aurion's IP of $1,268,750 was fully impaired due to the fact that the Company is not expecting to commercialize it in the future.
- Medcann license was partial impaired by $850,000 based on its estimated recoverable value determine based on a discounted cashflow analysis.
- The carrying value of RGAM license application of $443,849 was fully impaired due to the fact that the Company will not proceed with that business.

During the year ended September 30, 2020, the Company settled debts in exchange for Intellectual property with carrying value of $22,565,427 as follow:

- On February 25, 2020, the Company entered into a debt settlement agreement ("Debt Settlement") with creditors and settled all outstanding obligations associated with the acquisition of CBD Therapeutics in exchange for the transfer of ownership of 1160988 BC Ltd. and all intellectual property associated with the trade name CBD Therapeutics. The Company settled debt of $2,643,440 in exchange for the IP with a carrying value of $17,319,918 and recorded a loss on settlement of debt of $14,676,478. Pursuant to the terms of the Debt Settlement, the Company released a total of 1,459,173 common shares from escrow.
- On January 1, 2020, the Company entered into an Amending Agreement with an arms-length creditor and settled all outstanding obligations associated with the acquisition of Baked Edible's IP in exchange (Note 4) for all intellectual property associated with the trade name Baked Edibles. The Company settled obligations of $4,059,172 in exchange for intangible assets with a carrying value of $4,742,384 and recorded a loss on settlement of debt of $683,212.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS (CONTINUED)

- During the year ended September 30, 2020, the Company entered into a Revised Letter Agreement ("Revised Letter Agreement") with Theraveda, and settled all outstanding obligations associated with the acquisition of Theraveda and received land with a fair value of $649,000 (Note 5) in exchange for all intellectual property associated with the trade name Theraveda with a carrying value of $503,125 and a loan receivable of $673,268. The Company recorded a loss on settlement of debt of $527,393.

The Company recognized an impairment of $6,879,252 during the year ended September 30, 2021, as follow

- Medcann license value of $6,836,752 was fully impaired. The Company did not renew the license on March 15, 2022 and terminated the lease on the Medcann facility on April 1st, 2022. (Note 21)
- FeelWell brands intellectual Property of $32,500 was fully impaired. The associated brand was making a negative margin and both the Company and brand have ceased operations

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021 $	September 30, 2020 $
Accounts payable	1,469,929	2,563,303
Accrued liabilities	323,566	317,721
	1,793,495	2,881,024

The Company's accounts payable, accrued liabilities, and any & all debts were subsequently either eliminated or substantially reduced under a court-approved Proposal and as detailed in Note 21 included herein.

10. CONVERTIBLE DEBENTURES

On March 14, 2019, the Company closed the first tranche of a convertible debenture ("Debenture") financing by way of a non-brokered private placement for gross proceeds of $7,237,000. The Debentures accrues interest at 10% per annum, have a maturity date of March 14, 2020, and the principal and interest amount are convertible into units ("Units") at $$8.40 per Unit, subject to certain adjustment events. In the event that the Company completes an equity financing, the conversion price will be equal to the greater of 80% of the offering price in the equity financing or $0.60. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $8.40 for an 18-month period.

On April 18, 2019, the Company closed the second tranche of a Debenture financing by way of a non-brokered private placement for gross proceeds of $2,247,000. The Debentures accrues interest at 10% per annum, have a maturity date of April 18, 2020, and the principal and interest amount are convertible into Units at $8.40 per Unit, subject to certain adjustment events. In the event that the Company completes an equity financing, the conversion price will be equal to the greater of 80% of the offering price in the equity financing or $0.60. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $8.40 for an 18-month period.

On May 1, 2019, the Company closed the third tranche of a Debenture financing by way of a non-brokered private placement for gross proceeds of $407,000. The Debentures accrues interest at 10% per annum, have a maturity date of May 1, 2020, and the principal and interest amount are convertible into Units at $8.40 per Unit, subject to certain adjustment events. In the event that the Company completes an equity financing, the conversion price will be equal to the greater of 80% of the offering price in the equity financing or $0.60. Each Unit consists

(Expressed in Canadian dollars)

10. CONVERTIBLE DEBENTURES (CONTINUED)

of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $8.40 for an 18-month period.

On June 5, 2019, the Company closed a convertible promissory note ("Convertible Promissory Note") with an arm's length party for gross proceeds of $700,000. The Convertible Promissory Note is non-interest bearing, has a maturity date of July 26, 2019, and bears a financing fee of $70,000 ("Financing Fee"). The principal and Financing Fee are convertible into common shares of the Company, on or before the maturity date of July 26, 2019, at a price equal to the lesser of the last closing price prior to the date of conversion or $10.80.

On June 12, 2019, the Company closed the fourth tranche of a Debenture financing by way of a non-brokered private placement for gross proceeds of $2,370,456. The Debentures accrues interest at 10% per annum, have a maturity date of June 12, 2020, and the principal and interest amount are convertible into Units at $8.40 per Unit, subject to certain adjustment events. In the event that the Company completes an equity financing, the conversion price will be equal to the greater of 80% of the offering price in the equity financing or $0.60. Each Unit consists

of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $8.40 for an 18-month period.
The following table reconciles the recorded value of the liability and the equity components of the convertible debentures:

	Convertible Debenture	Derivative Liability	Total
	$	$	$
Balance, September 30, 2019	12,405,312	73,651	12,478,963
Interest expense	937,633	-	937,633
Term amendment	(354,246)	354,246	-
Accretion	995,373	-	955,373
Conversion of convertible debt	(11,005,766)	-	(11,005,766)
Change in fair value of derivative liability	-	(188,781)	(188,781)
Balance, September 30, 2020	2,978,306	239,116	3,217,422
Interest expense	267,359	-	267,349
Accretion	417,017	-	417,017
Change in fair value of derivative liability	-	(212,892)	(212,892)
Balance, September 30, 2021	3,662,672	26,224	3,688,896

For the tranche 1 to 4 of Debentures issued for cash of $12,261,456, the potential adjustment to conversion price would result in a variable number of shares on conversion. For the Convertible Promissory Note, the variability of the conversion price would result in a variable number of shares on conversion. For all convertible debt instruments issued, the conversion does not meet the fixed for fixed requirement because a variable number of shares could be issued. On initial recognition, first the derivative liability of $1,519,000 was recognized for all Debentures and Convertible Promissory Notes, with the residual value of $11,442,456 allocated to debt. The Company estimated the fair value of equity as $Nil. The Debentures and Convertible Promissory Note are being accreted to the face value of the debt plus interest to maturity.

During the year ended September 30, 2020, the Company converted principal and interest of $11,005,766 and issued 37,379,646 Units with a fair value of $11,005,765. Each Unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at an exercise price of $0.275 for a period of 18 months.

(Expressed in Canadian dollars)

10. CONVERTIBLE DEBENTURES (CONTINUED)

During the year ended September 30, 2020, the Company entered into convertible debenture amending agreements (the "Amending Agreements") with two Debenture holders. Pursuant to the terms of the Amending Agreements, the expiration date of the Debentures has been extended by 18 months and the conversion price has been amended from $0.70 pre-consolidated to $0.275 post-consolidated and the warrant exercise price has been amended from $0.70 pre-consolidated to $0.55 post-consolidated ("Term Amendments"). Pursuant to the Term Amendments, the Company recorded a derivative liability with a fair value of $26,224

The Company's accounts payable, accrued liabilities, and any & all debts were subsequently either eliminated or substantially reduced under a court-approved Proposal and as detailed in Note 21 included herein.

11. PROMISSORY NOTES

During the twelve months ended September 30, 2020, the Company entered into numerous promissory note agreements with directors, shareholders, and arm's length parties for gross proceeds of $2,122,715. The promissory notes are due on demand and bear 12% compounded interest per annum and 24% per annum. During the year ended September 30, 2020, the Company recorded interest of $116,846. The Company repaid principal and interest of $882,101 to an arm's length party. The Company issued 13,733,188 common shares with a fair value of $1,098,655 and settled principal and interest of $1,018,973. The Company recorded a loss on settlement of debt of $79,734.

On May 20, 2020, the Company entered into a credit agreement (the "Credit Agreement") with certain arm's length creditors to replace certain existing promissory notes which bear an interest rate of six percent (6%) per annum.

During the twelve months period ended September 30, 2021, the Company entered into numerous promissory note agreements with directors, shareholders, and arm's length parties for gross proceeds of $806,070. The promissory notes are due on demand and bear between 1.5% to 24% compounded interest per annum. During the twelve months period ended September 30, 2021, the Company recorded interest of $315,642. The Company repaid principal and interest of $671,370 to an arm's length party.

The below table reconciles the recorded value of the liability:

	Total $
Balance, September 30, 2019	1,615,112
Additions	2,122,715
Interest expense	286,369
Debt settlement	(1,018,973)
Repayment	(882,101)
Foreign exchange	23,489
Balance, September 30, 2020	2,146,611
Additions	806,070
Interest expense	315,642
Repayment	(671,370)
Foreign exchange	(49,541)
Balance, September 30, 2021	2,547,412

The Company's accounts payable, accrued liabilities, and any & all debts were subsequently either eliminated or substantially reduced under a court-approved Proposal and as detailed in Note 21 included herein.

(Expressed in Canadian dollars)

12. MORTGAGE PAYABLE

On August 4, 2020, the Company mortgaged its Old Slope property in Nanaimo, British Columbia for gross proceeds of $300,000. The Mortgage bears interest of 12%, is secured by the Company's land and matures on November 4, 2020. During the year ended September 30, 2020, the Company paid transaction costs of $3,000 and prepaid interest of $9,000. As at March 31, 2021, the Company paid off all the mortgage payable and $Nil is outstanding.

On February 27, 2020, the Company mortgaged its property in Nanaimo, British Columbia for gross proceeds of $131,000. The Mortgage bears interest of 12% and is compounded monthly, is secured by the Company's land and matures on July 31, 2020. During the year ended September 30, 2020, the Company accrued interest of $5,229. On June 16, 2020, the Company repaid principal of $131,000 and interest of $5,229.

13. CONSIDERATION PAYABLE

The following table reconciles consideration payable balance:

	CBD Therapeutics Cash $	Medcann Health Products Shares $	Baked Edibles Cash $	Baked Edibles Shares $	Total $
Balance, September 30, 2019	2,777,820	5,008,054	1,250,000	2,809,172	11,845,046
Shares issued	(134,380)	-	-	-	(134,380)
Change in fair value	-	3,834,719	-	-	3,834,719
Debt settlement (Note 8 and 15)	(2,643,440)	-	(1,250,000)	(2,809,172)	(6,702,612)
Balance, September 30, 2020	-	8,842,773	-	-	8,842,773
Change in fair value	-	430,560	-	-	430,560
Settlement agreement	-	(9,273,333)	-	-	(9,273,333)
Balance, September 30, 2021	-	-	-	-	-

During the year ended September 30, 2020, the Company issued 127,333 common shares with a fair value of $168,080 to settle debt of $134,380. The Company recorded a loss on settlement of debt of $33,700.

Effective January 1, 2021, the Company entered into an amended agreement with the vendors of Medcann Health Products Ltd. whereby the clause in the original share purchase agreement, related to the contingent consideration was deleted and in consideration for this amendment the Company issued 1,052,000 stock option to the vendors, which are exercisable at $0.10 per share for a period of 5 years. The estimated fair value of $1,004,987 was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 179%, dividend yield of 0% and a risk-free interest rate of 0.33%. The contingent consideration of $9,273,333 was settled in full and the Company recorded a gain on settlement of contingent consideration of $8,268,347.

14. RELATED PARTY BALANCES AND TRANSACTIONS

The Company entered into a number of transactions with key management personnel. The Company considers the executive officers and directors as the key management of the Company. The remuneration of key management personnel includes those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consists of its directors and officers.

(Expressed in Canadian dollars)

14. RELATED PARTY BALANCES AND TRANSACTIONS

As at September 30, 2021, the Company owed promissory notes to a former director of Nil (September 30, 2020 - $1,195,232)

As at September 30, 2021, the Company owed current and former management $294,135 (2020 - $41,654) and $Nil (2020 - $642,750), respectively.

	Sept 30, 2021 $	Sept 30, 2020 $
Consulting fees paid or accrued to former management of RGAM	-	210,000
Salaries paid to the former CEO	-	62,500
Salaries paid to the former Chief Scientific Officer	-	-
Professional fee paid or accrued to companies controlled by CFO	145,738	116,397
Consulting fees paid or accrued to CEO	100,756	100,000
Consulting fees accrued to a former director	-	583,471
Share based compensation (Note 15)	298,157	239,277
	544,651	1311,655

15. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Share Capital

During the twelve months period ended September 30, 2021, the Company had the following transactions that resulted in the issuance of its common shares:

- On November 12, 2020, the Company issued, and fully paid, 6,809,380 common shares with a fair value of $544,750 and settled accounts payable of $715,939. The Company recorded a gain on settlement of debt of $171,188.
- On December 2, 2020, the Company issued, and fully paid, 15,000,000 common shares with a fair value of $1,500,000 to acquire Olympic View Botanicals Ltd. (Note 4)
- On March 5, 2021, the Company issued, and fully paid, 41,000,000 shares to acquire Ava pathways for gross proceeds of 4,715,000. (Note 4)
- On March 12, 2021, the Company issued, and fully paid, 868,666 common shares with a fair value of $86,867 and settled accounts payable of $106,428. The Company recorded a gain on settlement of debt of $19,561.
- On April 6, 2021, the Company issued, and fully paid, 6,095,238 common shares for a private placement with a fair value of $500,000
- On April 6, 2021, the Company issued, and fully paid, 1,562,000 common shares with a fair value of 500,000 pursuant to the appointment of a new director
- On May 11, 2021, the Company issued, and fully paid, 30,812,320 shares to acquire Somo Industries Inc, dba Feelwell Brands for gross proceeds of $2,750,000. (Note 4)
- During the twelve months ended September 30, 2021, the Company issued, and fully paid, 4,808,844 pursuant to exercise of warrants for gross proceeds of $484,786. The Company re-allocated $7,013 from reserve to share capital.
- During the twelve months ended September 30, 2021, the Company issued, and fully paid, 1,285,788 pursuant to exercise of options for gross proceeds of $128,579. The Company re-allocated $128,388 from reserve to share capital.

(Expressed in Canadian dollars)

15. SHARE CAPITAL (CONTINUED)

During the twelve months period ended September 30, 2020, the Company had the following transactions that resulted in the issuance of its common shares:

- The Company issued, and fully paid, 37,856,291 Units for the conversion of $11,005,765 convertible debentures. Each unit consisted of one common share and one-half common share purchase warrant which will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.275 for a period of 36 months from issuance
- As at November 2019, the Company issued, and fully paid, 127,333 common shares with a fair value of $168,000 to settle debt of $134,380 and recorded a loss on the settlement of debt of $33,700.
- On April 1, 2020, the Company issued, and fully paid, 22,000,000 common shares with a fair value of $1,760,000 and settled accounts payable of $578,677 and promissory notes of $1,018,921. The Company recorded a loss on the settlement of debt of $162,402.
- On May 15, 2020, the Company issued, and fully paid, 6,000,000 common shares with a fair value of $750,000 and settled accounts payable of $420,000. The Company recorded a loss on settlement of debt of $330,000.
- On May 28, 2020, the Company issued, and fully paid, 2,336,301 common shares with a fair value of $443,897 and settled accounts payable of $140,178. The Company recorded a loss on settlement of debt of $303,719.
- On July 25, 2020, the Company issued 35,009,639 Units for gross proceeds of $1,750,482. Each Unit comprises one common share and one-half common share purchase warrant. Each whole warrant is exercisable at $0.10 for two years. Using the residual method, no value was attributed to the warrants. The Company paid $15,400 in share issuance costs, issued 800,000 finder common shares with a value of $40,000 and issued 308,000 finder warrants with an exercise price of $0.10 and expiry date of two years from the date of grant. The fair value of the finder warrants was $14,025, using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 1.5 years; expected volatility – 100%; risk-free rate – 0.26%.

Warrants

Share purchase warrants transactions for the period ended September 30, 2021 are as follows:

	Number of warrants		Weighted average exercise price
September 30, 2019	1,141,978	$	8.08
Warrants issued	36,599,298		0.22
Warrants expired	(270,563)		(7.04)
September 30, 2020	37,470,713	$	0.42
Warrants expired	(913,079)		(8.40)
Warrants exercised	(4,808,844)		(0.10)
Warrants issued	57,894,244		(0.13)
September 31, 2021	89,643,034	$	0.17

On March 5, 2021, the Company acquired 100% of the issued and outstanding common shares of Ava Pathways Ltd. (“Ava”). Ava is exploring the therapeutic scientific benefits of proprietary formulations, using compounds from mushrooms, and was founded focused on neuroplasticity and alternative ways to treat common and debilitating medical conditions. As consideration, the Company issued 41,000,000 common shares

(Expressed in Canadian dollars)

15. SHARE CAPITAL (CONTINUED)

(“consideration unit”) with a fair value of $4,715,000. Each consideration unit consisted of one common share and one purchase warrant. Each warrant is exercisable for a period of twenty-four (24) months to purchase one (1) additional common share of the Company at an exercise price of $0.14 per common share. The fair value of the warrants at acquisition date was $3,608,000, calculated using the Black-Scholes method.

On April 20, 2021, the Company entered into a definitive agreement to acquire 100% of Somo Industries Inc. dba Feelwell Brands. (“Somo”). Somo is based in California and operates Clix, a licensed cannabis brand operation in the state of California. Pursuant to the terms of the arrangement, on May 11, 2021, the Company issued 30,812,320 common shares (“consideration unit”) with a fair value of $2,750,000. Each consideration unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at a price of $0.12075 for a period of two years. The fair value of the warrants at acquisition date was $1,078,430, calculated using the Black-Scholes method.

Warrants outstanding as at September 30, 2021, are as follows:

Number of warrants outstanding and exercisable	Exercise price	Remaining Life in Years	Expiry dates
8,333	$8.40	0.05	October 18, 2021
416,666	$1.20	1.52	April 6, 2023
15,902,721	$0.275	0.16	November 28, 2021
2,087,309	$0.275	0.20	December 12, 2021
12,626,271	$0.10	0.24	December 25, 2021
312,500	$1.20	1.66	May 28, 2023
156,666	$1.20	1.66	May 28, 2023
238,322	$1.20	1.77	May 28, 2028
41,000,000	$0.14	1.43	March 5, 2023
1,488,095	$0.13	1.51	April 5, 2023
15,406,149	$0.12	1.61	May 11,2023
89,643,034	$0.17		

Options

On November 28, 2018, the Board approved the adoption of a fixed stock option plan reserving for issuance a maximum of 3,750,000 common shares to be granted. On May 25, 2020, the Board adopted a 20% rolling stock option plan, that remained subject to shareholder approval at the July 17, 2020, annual general and special meeting to replace the fixed number 2018 Plan. The number of common shares proposed to be granted under the 2020 Plan is a maximum of 20% of the issued and outstanding common shares at the time of grant.

The exercise price of each option is set by the Board of Directors within regulatory guidelines. Options can have a maximum term of ten (10) years and typically terminate 90 days following the termination of the optionee’s employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

	Number of Options	Weighted average exercise price
Opening balance, September 30, 2019	3,282,390	$ 4.20
Forfeited	(587,499)	(4.20)
Cancelled	(2,694,891)	(4.20)
Granted	8,900,000	0.10
Ending balance, September 30, 2020	8,900,000	0.10
Exercised	(1,285,788)	0.10
Granted	22,144,000	0.10
Ending balance, September 30, 2021	29,758,212	0.10

(Expressed in Canadian dollars)

15. SHARE CAPITAL (CONTINUED)

On October 2, 2020, the Company granted 11,000,000 stock options to consultants of the Company with an exercise price of $0.10, which expire 5 years from the date of grant and vest immediately. The fair value of the options totaled $1,098,373 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 284%, dividend yield of 0% and a risk-free interest rate of 0.30%.

On January 1, 2021, the Company granted 10,520,000 stock options to consultants of the Company with an exercise price of $0.10, which expire 5 years from the date of grant and vest immediately. The fair value of the options totaled $1,004,987 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 179%, dividend yield of 0% and a risk-free interest rate of 0.30%.

On February 10, 2021, the Company granted 72,000 stock options to consultants of the Company with an exercise price of $0.135, which expire 5 years from the date of grant and vest immediately. The fair value of the options totaled $9,290 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 179%, dividend yield of 0% and a risk-free interest rate of 0.69%.

On March 12, 2021, the Company granted 200,000 stock options to consultants of the Company with an exercise price of $0.10, which expire 5 years from the date of grant and 50,000 options vested immediately with the remaining options vest evenly six months from the date of grant. The fair value of the options totaled $10,141 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 179%, dividend yield of 0% and a risk-free interest rate of 0.80%.

On March 23, 2021, the Company granted 100,000 stock options to consultants of the Company with an exercise price of $0.105, which expire 5 years from the date of grant and 25,000 options vested immediately with the remaining options vest evenly six months from the date of grant. The fair value of the options totaled $4,544 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 180%, dividend yield of 0% and a risk-free interest rate of 0.73%.

On May 13, 2021, the Company granted 200,000 stock options to consultants of the Company with an exercise price of $0.055, which expire 5 years from the date of grant and vest immediately. The fair value of the options totaled $3,719 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 180%, dividend yield of 0% and a risk-free interest rate of 0.73%.

On May 25, 2020, the Company granted 8,900,000 stock options to consultants of the Company with an exercise price of $0.10, which expire 5 years from the date of grant and vest immediately. The fair value of the options totaled $888,279 and was determined using a Black Scholes Option Pricing Model with the following assumptions: expected life of 5 years, volatility of 281%, dividend yield of 0% and a risk-free interest rate of 0.34%.

Options outstanding as at September 30, 2021 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Remaining Life in Years	Expiry dates
8,900,000	8,900,000	0.10	3.65	May 25, 2025
9,714,212	9,714,212	0.10	4.01	October 2, 2025
10,520,000	10,520,000	0.10	4.26	January 1, 2026
72,000	72,000	0.135	4.37	February 10, 2026
200,000	50,000	0.10	4.45	March 12, 2026
100,000	25,000	0.105	4.48	March 23, 2026
200,000	200,000	0.055	4.62	May 13, 2021
29,758,212	29,533,212			

(Expressed in Canadian dollars)

15. SHARE CAPITAL (CONTINUED)

Share-Based Payment Reserve

The share-based payment reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

16. LEASES

The Company has lease contracts for various facilities used in the Company's operations. Lease of land generally have a lease term between 3 to 5 years. The discount rate used was 5%.

Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the period:

	Right-of-use assets	**Lease Liabilities**
	$	**$**
October 1, 2019	-	-
Additions	872,356	872,356
Depreciation	(232,995)	-
Write-off	(539,175)	-
Accretion	-	55,364
Recorded in accounts payable	-	(193,318)
Payments	-	(103,591)
As at September 30, 2020	100,186	630,811
Correction from prior year		37,585
Current		234,843
Long term		433,553
Revised September 30, 2020		668,396
Depreciation	(66,792)	-
Interest	-	44,480
Addition	395,278	395,278
Impairment	(395,278)	(395,278)
Payments	-	(73,424)
Write Off	(33,394)	
Lease forfeiture	-	
Recorded to accounts payable	-	(190,826)
As at September 30, 2021	-	448,627
Current	-	205,596
Long-term	-	243,031

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at September 30, 2021:

	$
2022	232,464
2023	176,678
2024	81,279
2025	-
	490,421

(Expressed in Canadian dollars)

16. LEASES (CONTINUED)

With respect to the acquisition of RGAM, the Company acquired a lease agreement. The Company has the right to renew the lease for a period of five years with the same terms and conditions of the original lease. In addition, the Company may exercise its option to purchase the facility at any time prior to the expiry of the term of the lease for a purchase price of $1,500,000 if the option is exercised during the initial five-year term of the lease. In the event that the option is exercised during the extension term of the lease, the purchase price for the facility shall be the greater of $1,500,000 and the amount that is calculated by dividing the most recent assessed value of the facility as of the expiry of the initial term of the lease, as published by the Province of British Columbia, by the most recent assessed value of the facility as of the effective date, and multiplying the product by $1,500,000.

During the year ended September 30, 2020, the Company defaulted on two of three of its leases and recorded a write-off of right-of-use asset of $539,175.

On December 2, 2020, pursuant to the acquisition of Olympic, the Company acquired a lease located in Sooke, British Columbia that expires on November 30, 2025 (Note 4).

The Company's accounts payable, accrued liabilities, lease liabilities, and any & all debts were subsequently either eliminated or substantially reduced under a court-approved Proposal and as detailed in Note 21 included herein.

17. INCOME TAX

A reconciliation of income taxes at statutory rates is as follows:

		September 30, 2021		**September 30, 2020**
Loss for the year before income taxes	**$**	**(16,714,783)**	$	(35,589,088)
Statutory income tax rate		**27%**		27%
Expected income tax recovery		**(4,512,991)**		(9,609,054)
Non-deductible items and other		5,738,292		7,404,359
Change in valuation allowance		(1,225,301)		2,204,695
	$	-	$	-

The significant components of the Company's deferred income tax assets that have not been included on the consolidated statement of financial position are as follows:

		September 30, 2021		**September 30, 2020**
Deferred income tax assets:				
Non-capital loss carry forwards	$	6,134,494	$	7,349,427
Share issue costs		68,760		97,161
Other		161,089		161,089
		6,364,343		7,607,677
Unrecognized deferred income tax assets		(6,364,343)		(7,607,677)
Net deferred tax assets	$	-	$	-

As at September 30, 2021, the Company has estimated non-capital losses for Canadian income tax purposes of approximately $22,720,346 that may be carried forward to reduce taxable income in future years. These losses expire by 2041.

(Expressed in Canadian dollars)

18. CAPITAL MANAGEMENT

The Company's Objective when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development.

The Company's capital consists of debt and share capital. On September 30, 2021, debt was $8,478,430 (September 30, 2020 - $18,050,397) and share capital was $84,123,264 (September 30, 2020 - $73,177,933)

19. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments into categories as follows: Related party receivables as financial assets at amortized cost; Cash, loan receivable as financial assets at FVTPL; accounts payable, promissory notes, and convertible debt as other financial liabilities at amortized cost; and consideration payable and derivative liability as financial liabilities at FVTPL.

Fair value

Cash is carried at fair market value based on quoted market prices in an active market. The carrying value of accounts payable, and accounts receivable, approximate its fair values due to the short-term nature of these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

There were no transfers between the level inputs in the year.

Cash and loan receivable are carried at fair market value based on quoted market prices in an active market. The derivative liability is also carried at fair value, and it was calculated as at September 30, 2021, using a Black-Scholes Option Pricing Model with the following assumptions (level 3 inputs): expected life – 0.49 years; expected volatility – 250%; risk-free rate – 0.20%, stock price - $0.075 and exercised price - $0.6.
The consideration payable is measured at fair value, but as the payable has no quoted market price. As a result, fair value was estimated using Level 3 inputs

Fair value measurements of investments and loan receivable are as follows:

Instruments	Carrying Amount	Level 1	Level 2	Level 3
September 30 2021				
Cash	$24,559	$24,559		
Loan Receivable	$0			$0
Consideration Payable	$0			$0
Derivative Liability	$26,224			$26,224
September 30 2020				
Cash	$190,046	$190,046		
Loan Receivable	$0	$0		
Consideration Payable	$8,842,773			$8,842,773
Derivative Liability	$239,116			$239,116

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(ii) Interest rate risk

The Company's cash is held in bank accounts, which have nominal interest rates attached to them; therefore, fluctuations in market interest rates would not have a material impact on their fair market values as at September 30, 2021, and September 30, 2020.

The Company's convertible debentures have fixed interest rates of 10% per annum and the Company's promissory notes have a fixed interest rate ranging from 6% to 24% per annum. As at September 30, 2021, the principal and accrued interest is $6,210,084 (September 30, 2020 - $2,978,306. As such, the Company's cash flow would not be impacted by changes in market rates of interest. Consideration payable does not bear interest rate risk.

(iii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company's functional currency and presentation currency are the Canadian dollar. The Company is not exposed to significant foreign currency risk.

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk and foreign currency risk. The Company is not exposed to significant other price risks.

(v) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company's exposure to credit risk is limited to its cash balances. The risk exposure is limited to the carrying amounts at the statement of financial position dates.

The Company's cash balances are held in accounts at a major Canadian financial institution and GST receivable is due from the Canada Revenue Agency. The credit risk associated with cash is mitigated, as cash is held at major institutions with high credit ratings.

(Expressed in Canadian dollars)

19. FINANCIAL INSTRUMENTS (CONTINUED)

(vi) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

As at September 30, 2021, the undiscounted contractual obligations related to financial liabilities were as follows:

	Carrying Amount	**Within 1 year**	**1-5 Years**
Trade Payables and Accrued Liabilities	1,793,495	1,793,495	
Lease Liabilities	448,627	205,596	243,031
Promissory Notes	2,547,412	2,547,412	
	4,789,534	4,546,503	243,031

The Company's accounts payable, accrued liabilities, and any & all debts were subsequently either eliminated or substantially reduced under a court-approved Proposal and as detailed in Note 21 included herein.

20. COMMITMENTS

Prior to September 30, 2020, the Company entered into agreements with a number of suppliers as follows. To date no product has been delivered from suppliers to the Company.

a) Ten of these agreements have the following key terms:
   i) The Company has the right to purchase all or any portion of cannabis produced by the supplier; and
   ii) The Company will reimburse the supplier for up to $100,000 in regulatory consulting fees related to the supplier's application for a micro-cultivation or micro-processor license, to be reimbursed $25,000 for every 50kg of product delivered to the Company.

b) Another five agreements have the following key terms:
   i) The Company has the right to purchase any and all product from the supplier during the initial term, ranging from 12 to 18 months from the date of first delivery;
   ii) The product will be purchased at a minimum price of $6.50/gram during the initial term for product with a minimum tetrahydrocannabinol (THC) content of 15%; and
   iii) After the initial term, the Company has first right of refusal to purchase the supplier's product.

c) One agreement obligates the Company to pay a one-time signing bonus of $100,000 to the supplier (paid) and a one-time fee of $23,350 upon the supplier delivering the first 100kg of product to the Company.

Should the Company enter into a supply agreement with a supplier introduced by 10050432 Manitoba Ltd. During the term, the Company shall pay a referral fee of 1% of the proceeds paid by the Company to that supplier for the supply of cannabis products.

In January 2022 the Company entered into the Notice of Intention to Make a Proposal ("NOI"), a procedure under the Canadian Bankruptcy and Insolvency Act ("BIA") in an attempt to restructure the Company's financial affairs through a formal "Proposal". The Proposal contemplates that the Company will pay each Affected Creditor (as defined in the Proposal) with a proven claim a cash distribution of 25 percent of its proven claim over eight equal quarterly tranches starting in June 2023 and ending in Q1 2025, with certain election options available to each Affected Creditor and the Company. See Note 21 for further details

21. SUBSEQUENT EVENTS

Share Consolidation

On December 24th, 2021, the Company completed a share consolidation on a 100:1 basis (the "Consolidation Ratio"). Outstanding stock options and warrants will be adjusted by the Consolidation Ratio. All common shares and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

Notice of Intention to Make a Proposal ("NOI") & Creditor Process

In January 2022 the Company entered into the Notice of Intention to Make a Proposal ("NOI"), a procedure under the Canadian Bankruptcy and Insolvency Act ("BIA") in an attempt to restructure the Company's financial affairs through a formal "Proposal" whereby the creditors of the corporation must vote on and approve the settlement terms and conditions. BC Craft successfully completed their Proposal on May 10th, 2022, when the BC Supreme Court approved the Proposal with 100% of voting shareholders in favor of same. As a result of the successful proposal, the Company eliminated in excess of $7 million in debt and liabilities from its balance sheet.

The Proposal contemplates that the Company will pay each Affected Creditor (as defined in the Proposal) with a proven claim a cash distribution of 25 percent of its proven claim over eight equal quarterly tranches starting in June 2023 and ending in Q1 2025, with certain election options available to each Affected Creditor and the Company.

Each Claim of an Affected Creditor under the Proposal is subject to the following options:

a) By no later than June 1, 2023, which date may be extended by the written consent of the Proposal Trustee and the inspectors, either the Company or the Affected Creditor may elect to convert 50 percent of the aforesaid cash

distribution to common shares of the Company at a deemed issue price of $0.50 a share, upon the commencement of the Company's trading on the Canadian Securities Exchange; and

b) An Affected Creditor may elect to receive cash payment equaling 12.5 percent of their claim exercisable by the Company instead of being subject to the above equity option.

The cash distributions will be funded from sales revenues. However, the payment of cash distributions may be accelerated in the event the Company is successful in raising capital and able to fund the cash distributions sooner than anticipated.

Bridge & Debtor In Possession ("DIP") Financing

In order to finance the ongoing operations of the Company and to fund the Proposal, the Company secured an interim financing facility (the "Interim Facility") from Avro Capital Corp. ("Avro") which was approved by the Supreme Court of British Columbia pursuant to the terms of a debtor-in-possession financing term sheet between the Company and Avro.

The Interim Facility is in the maximum principal amount of $415,000, which is comprised of an initial advance of $215,000, with subsequent advances from time to time as agreed upon between the Company and Avro, in an amount not exceeding $200,000. The Interim Facility will finance the continuation of the Company's operations and allow the Company to meet its obligations in the normal course of business as they become due. In addition, the Interim Facility will assist the Company in funding certain growth initiatives that the Company's management believe will generate significant revenues through increased sales of products by its distribution partner and other possible channels.

21. SUBSEQUENT EVENTS (CONTINUED)

The Interim Facility is secured by a priority Court-ordered charge in the maximum principal amount of $415,000, plus interest of 11.5% per annum, costs, fees, and disbursements, ranking in priority to all other encumbrances on the Company’s assets, properties, and undertakings, other than an administrative charge. The Interim Facility will mature and be fully repayable on the date that is six (6) months from the date of the first advance, which may be extended if Avro agrees to such extension.