ASTRON CONNECT INC.

Consolidated Financial Statements

For the Three Months Ended

December 31, 2022 and 2021

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

ASTRON CONNECT INC.

Condensed Interim Consolidated Statements of Financial Position
As at
(Expressed in Canadian Dollars)
(Unaudited)

	Note	December 31, 2022	September 30, 2022
		$	$
Current Assets			
Cash and cash equivalents		375,453	504,608
Trade and other receivables	4	1,250	17,465
Inventory	5	66,103	66,103
Prepaid expenses	5	131,507	71,502
		574,313	659,678
Investment	6	1	1
Intangible assets	7	10,126	10,126
Total Assets		584,440	669,805
Current Liabilities			
Accounts payable and accrued liabilities	8	144,332	143,251
Deferred revenue		36,692	36,692
		181,024	179,943
Government assistance	9	60,000	60,000
		241,024	239,943
Shareholders' Equity			
Share capital	10	8,185,477	8,185,477
Reserves		469,455	469,455
Deficit		(8,311,516)	(8,225,070)
		343,416	429,862
Total Liabilities and Shareholders' Equity		584,440	669,805

Approved on behalf of the Board of Directors:

" Shixin Huang" — Director

"S. Randall Smallbone" — Director

See accompanying notes to the consolidated financial statements

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

		Three Months Ended	
		December 31, 2022	**December 31, 2021**
		$	$
Expenses			
Amortization	-	-	51,089
Consulting expenses		2,220	13,501
Director fees	11	17,500	15,000
Filing expenses		216	323
Meeting and conference expense		-	7,463
Office expenses		14,232	9,565
Professional fees		-	275
Rental expenses		7,598	- 258
Salary and benefits		45,298	52,091
Selling and distribution expenses		-	7,134
		87,064	156,183
Loss from operations		(87,064)	(156,183)
Other (loss) income		618	(231)
Net loss and comprehensive loss for the period		(86,446)	(156,414)
Loss per common share			
Basic and fully diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding		16,937,901	10,437,901

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited)

	Shares	Amount $	Reserves $	Deficit $	Total $
September 30, 2021	10,437,901	7,535,477	469,455	(7,287,789)	717,143
Shares issued from private placement, net of share issuance costs	5,000,000	500,000	-	-	500,000
Shares issued for loan assignment	1,500,000	150,000	-	-	150,000
Net loss for the year			-	(937,281)	(937,281)
September 30, 2022	16,937,901	8,185,477	469,455	(8,225,070)	429,862
Net loss for the period	-	-	-	(86,446)	(86,446)
December 31, 2022	16,937,901	8,185,477	469,455	(8,311,516)	343,416

See accompanying notes to the consolidated financial statements

Astron Connect Inc.

Condensed Interim Consolidated Statements Cash Flows

For the Periods Ended December 31

(Expressed in Canadian Dollars)

	Note	**2022**	**2021**
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(86,446)	(156,414)
Items not affecting cash:			
Amortization of property and equipment and intangible assets	7	-	51,089
Changes in other working capital:			
Trade and other receivables		16,216	3,157
Inventory		-	(23,229)
Prepaid expenses		(60,005)	36,445
Accounts payable and accrued liabilities		1,080	(30,655)
Cash (used in) operating activities		(129,155)	(119,606)
INVESTING ACTIVITY			
Repayment of lease obligations		-	(48,696)
Cash provided by (used in) financing activities		-	(48,696)
Increase (Decrease) in cash		(129,155)	(168,303)
Cash and cash equivalents, beginning		504,608	952,475
Cash and cash equivalents, ending		375,453	784,172

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

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

Impact of COVID-19

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

The principal and registered office of the Company is at 500 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiary are prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by IASB, and accordingly do not include all the information required full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 3 to the Company's annual consolidated financial statements for the year ended September 30, 2022. The condensed interim consolidated financial statements should be read in conjunction with the Company's 2022 annual consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the board of directors on February 28, 2023.

b) Basis of presentation and going concern

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

As at December 31, 2022, the Company had working capital of $393,289 (September 30, 2022: $479,735) and an accumulated deficit of $8,311,516 (September 30, 2022: $8,225,070). During the period ended December 31, 2022, the Company incurred a net and comprehensive loss of $86,446 (December 31, 2021: $156,414).

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

2. BASIS OF PRESENTATION (continued)

c) Basis of measurement

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

d) Functional and presentation currency

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

e) Use of estimates

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

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

b) Foreign currency translation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

Classification

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

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

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

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

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

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

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

Measurement

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

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

Impairment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

Derecognition

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

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

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

d) Cash and cash equivalents

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

e) Loan receivable

Loan receivable is initially recorded at cost less impairment losses. An allowance for doubtful accounts is recorded to reduce the carrying value of loan receivable when there is objective evidence that the Company will not be able to collect the amount due according to the original terms of the receivable.

f) Inventory

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangible assets

Intangible assets include trademarks.

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

Trademark acquired through business combinations are initially recorded at their fair value.

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

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

h) Impairment

(i) Financial assets

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

(ii) Non-financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition

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

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

Performance obligations are satisfied at the point in time when products are delivered based on the volumes to customers at contractual delivery points, and prices have been agreed to with the purchaser and collectability is reasonable assured.

k) Income taxes

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

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

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

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

k) Earnings (loss) per share

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the issuance of units are bifurcated between shares and warrants, with the value of the warrants determined using residual method by allocating the value to common shares when issued then the residual to be allocated to warrants.

m) Stock-based compensation

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

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

n) Significant accounting estimates and judgments

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

Critical accounting estimates

(i) Impairment of long-lived assets

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

(ii) Reserve for inventory obsolescence

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

(iii) Stock-based compensation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Significant accounting estimates and judgments (continued)

Critical accounting estimates (continued)

(iv) Current and deferred taxes

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

(v) Useful lives of long-lived assets

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

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

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

(ii) Functional currency

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

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

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

(iv) Impairment of intangible assets

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

o) New accounting standards issued, but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretation Committee that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) New accounting standards issued, but not yet effective (continued)

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrowed the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendments are effective January 1, 2023, with early adoption permitted. The Company does not expect the adoption of these amendments to have a material effect on the consolidated financial statements.

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduced a definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective January 1, 2023, with early adoption permitted. The Company does not expect the adoption of these amendments to have a material effect on the consolidated financial statements.

4. TRADE AND OTHER RECEIVABLES

	December 31, 2022	**September 30, 2022**
	$	$
Other receivables	1,250	10,806
	1,250	10,806

During the year ended September 30, 2022, the Company recorded bad debt expense of $nil (2021: $218,681).

5. INVENTORY

	December 31, 2022	**September 30, 2022**
	$	$
Raw materials	66,103	66,103
	66,103	66,103

During the period ended December 31, 2022, the Company did not have any write-down of inventories and no reversals of write-downs for all periods presented. Prepaid expenses include prepaid amounts for inventory of $64,750 (September 30, 2022: $64,750).

6. INVESTMENT AND LOAN RECEIVABLE

On August 17, 2022, the Company entered into an arm's length agreement with an individual to acquire a loan receivable from a Canadian bottled water supplier (the "Borrower") for the amount of $480,000 for consideration of $330,000 in cash and $150,000 in the form of the Company's common shares. The Company's common shares were issued at a deemed price of $0.10 per share. As part of this acquisition, the Company also acquired a 15% equity interest of the Borrower for $1.

The loan is unsecured and bears interest at 10% per annum. The principal balance plus accrued interest is due on December 31, 2022.

During the year ended September 30, 2022, management determined there were indicators of impairment of the loan receivable from the Borrower and accordingly has provided an allowance for the entire balance of the loan and accrued interest receivable in accordance with the expected credit loss model for financial instruments. The Company has recorded $485,786 as an impairment provision on the loan receivable for the year ended September 30, 2022.

Subsequent to September 30, 2022, the Company entered into an amended loan agreement with the Borrower to extend the loan to December 31, 2023.

(Expressed in Canadian dollars)

7. INTANGIBLE ASSETS

Cost	**Trademark**
	$
September 30, 2021	52,927
Additions	-
September 30, 2022 and December 31, 2022	52,927

Accumulated amortization	**Trademark**
September 30, 2021	42,801
Additions	-
September 30, 2022 and December 31, 2022	42,801

Net book value	**Trademark**
September 30, 2022	10,126
December 31, 2022	10,126

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	**September 30, 2022**
	$	$
Trade accounts payable	129,572	119,222
Salary and benefits payable	14,760	24,029
	144,332	143,251

9. GOVERNMENT ASSISTANCE

During the year ended September 30, 2020, the Company applied for the COVID-19 Relief Program. Export Development Canada ("EDC") and the Business Development Bank of Canada ("BDC") provided a direct loan to the Company ("CEBA Loan") of $40,000. During the year ended September 30, 2021, the Company received an additional loan of $20,000. The CEBA Loan has an initial term date on December 31, 2023 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty.

10. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares without par value.

b) Share transactions

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

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

c) Stock options

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

A summary of stock option activities for the periods ended December 31, 2022 and September 30, 2022 is as follows:

	Number of Options	**Weighted Average Exercise Price**
		$
Balance, September 30, 2021	237,500	2.40
Option expired	(50,000)	1.76
Balance, September 30, 2022 and December 31, 2022	187,500	2.40

As at December 31, 2022 and September 30, 2022, the Company has the following options outstanding and exercisable:

Outstanding as at December 31, 2022 / **Exercisable as at December 31, 2022**

Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
187,500	2.40	0.74	187,500	2.40	0.74	September 26, 2023
187,500	$ 2.40	0.74	187,500	$ 2.40	0.74	

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

Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
187,500	2.40	0.99	187,500	2.40	0.99	September 26, 2023
187,500	$ 2.40	0.99	187,500	$ 2.40	0.99	

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

d) Warrants

The warrants that are issued and outstanding as at December 31, 2022 and September 30, 2022 are as follows:

	Number of warrants		Weighted average Exercise price	Weighted average Years to expiry	Expiry date
Balance, September 30, 2021	-	$	-	-	
Issued	5,000,000	$	0.15	0.50	April 1, 2023
Balance, September 30, 2022	5,000,000	$	0.15	0.50	
Balance, December 31, 2022	5,000,000	$	0.15	0.25	

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

	December 31, 2022	December 31, 2021
	$	$
Transactions:		
Director fees	17,500	15,000
Compensation	26,400	26,250

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

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

The Company has the following financial instruments as of December 31, 2022 and September 30, 2022:

Financial assets	Categories	December 31, 2022 $	September 30, 2022 $
Cash and cash equivalents	FVTPL	375,453	504,608
Investment	FVTPL	1	1
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	144,332	143,251
Government assistance	Amortized cost	60,000	60,000

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The fair value of cash and cash equivalents, trade and other receivables (excluding GST), loan receivable, accounts payable and accrued liabilities and lease liabilities approximate their carrying values as at the reporting date due to the short-term maturities of these instruments. Cash and cash equivalents and investment are level 1 fair value hierarchy.

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

a) Currency risk

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

At December 31, 2022, the Company had cash of $51,292 (September 30, 2022: $59,289), which is denominated in US dollars. For the period ended December 31, 2022, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US dollars by 10% will increase or decrease comprehensive loss by approximately $5,100 (December 31, 2021: $5,900).

b) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on cash equivalents is insignificant, as the deposits are short-term. The Company's $60,000 loan (note 9) is non-interest bearing until December 31, 2023. Any amounts unpaid will be subject to 5% interest. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

The Company's loan receivable have fixed interest rates of 10% per annum. As such, the Company's cash flow would not be impacted by changes in market rates of interest.

c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, trade and other receivables, and loan receivable. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables and loan receivable. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and the consolidated financial statements take into account an allowance for bad debts. There were no overdue trade receivables outstanding as at December 31, 2022 and September 30, 2022 and collection is reasonably assured.

The Company's Loan receivables are subject to expected credit loss model. Management assesses the credit worthiness of entities it advances loan to prior to and on a periodic basis. If it is determined that the counterparty is undergoing financial difficulty, management estimates a recoverable amount and books an allowance for expected credit losses. The Company's loan receivables have been impaired to $nil on September 30, 2022.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2022, the Company had a working capital of $393,289 (September 30, 2022: $479,735). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

The following table summarizes the maturities of the Company's financial liabilities as at December 31, 2022 based on the undiscounted contractual cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	4 - 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	144,332	144,332	144,332	-	-
Government assistance	60,000	60,000	-	60,000	-
Total	204,332	204,332	144,332	60,000	-

13. CAPITAL MANAGEMENT

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

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

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