HYTN INNOVATIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 and 2023

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Independent Auditor's Report

To the Shareholders of HYTN Innovations Inc.

Opinion

We have audited the consolidated financial statements of HYTN Innovations Inc. (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2024 and September 30, 2023 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2024 and September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Group in accordance with the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be a key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Acquisition of Prism Scientific Labs Inc.
We draw attention to Note 11 to the consolidated financial statements. On July 16, 2024, the Group acquired 100% of the issued and outstanding common shares of Prism Scientific Labs Inc. ("Prism") through the issuance of 12,100,100 common shares in the capital of the Group with a fair value of $3.9M. The transaction was assessed as an asset acquisition and required the allocation of the fair value of the consideration paid to the identifiable net assets held by Prism at the acquisition date.

The acquisition resulted in the recognition of identifiable net assets comprised of cash, an intangible asset, accounts payable and accrued liabilities, and contingent consideration payable. The excess of the fair value of the common shares issued as consideration over the fair value of the net identifiable assets consisted of unidentifiable goods or services which did not meet the criteria for recognition as an asset. The Group recorded the excess fair value of $3.8M as an acquisition expense.

Why the matter was determined to be a key audit matter
We identified the acquisition of Prism as a key audit matter due to: (i) the significant judgments applied by management in assessing the completeness of assets acquired including the unidentifiable goods and services; (ii) the significant judgments and estimates made by management in determining the fair value of the identifiable net assets; and (iii) a high degree of auditor judgment, subjectivity, and effort in performing procedures relating to the significant assumptions.

How the matter was addressed in our audit
In responding to the key audit matter, we performed the following audit procedures:

- We reviewed the share purchase agreement to understand the key terms and structure of the transaction;

- We reviewed management's analysis of the transaction under the applicable IFRS Accounting Standards;

- We reviewed management's methodology in identifying, recognizing and measuring the identifiable assets acquired and liabilities assumed;

- We assessed the reasonability of assumptions made by management to determine the fair value of the identifiable assets acquired and liabilities identified;

- We consulted with a valuation specialist who assisted in evaluating the appropriateness of the valuation approaches used by the Group to determine the fair value of the intangible asset at acquisition date; and

- We assessed whether the disclosures in the financial statements are in accordance with IFRS Accounting Standards.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information 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 Accounting Standards as issued by the International Accounting Standards Board, 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 Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’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 Group’s internal control.

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’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 Group 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.

- Our responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hilda Leung.

Crowe MacKay LLP

Chartered Professional Accountants
Vancouver, Canada
January 28, 2025

HYTN Innovations Inc.
Consolidated Statements of Financial Position
As at September 30, 2024 and 2023
In Canadian Dollars, unless noted

As at	Notes	September 30, 2024	September 30, 2023
		$	$
ASSETS			
Current Assets			
Cash		256,580	187,559
Restricted cash		5,000	5,000
Accounts receivable		111,233	127,576
Inventory	**5**	162,431	299,574
Prepaid expenses		15,587	-
Total current assets		**550,832**	**619,709**
Non-current Assets			
Property, plant and equipment	**6**	1,675,603	1,869,707
Intangible asset	**7**	54,882	-
Deposits		101,866	93,290
Total non-current assets		**1,832,351**	**1,962,997**
TOTAL ASSETS		**2,383,182**	**2,582,706**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	**15**	1,015,970	667,253
Loans payable	**10**	-	107,970
Lease liability - current	**8**	77,805	87,161
Contingent consideration payable	**7,11**	50,850	-
Provision for returns		20,774	-
Total current liabilities		**1,165,399**	**862,384**
Non-current Liabilities			
Lease liability - non-current	**8**	715,758	724,606
Decommissioning provision	**9**	675,000	681,000
Total non-current liabilities		**1,390,758**	**1,405,606**
TOTAL LIABILITIES		**2,556,157**	**2,267,990**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	**12**	18,439,514	13,128,431
Warrant reserve	**12**	2,776	2,776
Stock-based payment reserve	**12**	2,117,358	851,684
Subscriptions	**12**	-	450,000
Equity contribution to subsidiary		(54,655)	(54,655)
Deficit		(20,677,968)	(14,063,520)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		**(172,975)**	**314,716**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,383,182**	**2,582,706**

The accompanying notes are an integral part of these consolidated financial statements.

Going concern (Note 2), Commitments (Note 19), and Subsequent events (Note 20)

Approved on behalf of the Board of Directors:

"Elliot McKerr", Director *"Eli Dusenbury",* Director

HYTN Innovations Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended September 30, 2024 and 2023
In Canadian Dollars, unless noted

For the Years Ended September 30,	2024	2023
	$	$
Revenues (Note 13)	851,494	763,460
Cost of Sales (Note 5)	564,051	671,611
GROSS PROFIT	**287,443**	**91,849**
EXPENSES		
Advertising and marketing	42,956	108,801
Consulting expense (Note 15)	241,904	91,795
Depreciation (Note 6)	150,596	195,426
Amortization (Note 7)	2,888	-
Office and miscellaneous (Note 15)	258,009	334,859
Professional fees (Note 15)	259,167	55,131
Salaries and payroll (Note 15)	670,988	826,873
Stock-based compensation (Note 12)	1,265,674	125,252
Transfer agent and filing fees	86,213	22,780
Travel	3,768	489
OPERATING EXPENSES	**2,982,163**	**1,761,406**
TOTAL OPERATING LOSS	**(2,694,720)**	**(1,669,557)**
Change in decommissioning provision (Note 9)	32,000	(471,975)
(Loss) gain on asset disposal (Note 6)	(15,473)	(46,626)
Interest / accretion expense (Note 8,9)	(152,170)	(146,347)
Gain on contingent consideration payable revaluation (Note 7)	5,400	-
Acquisition expense (Note 11)	(3,789,485)	-
	(3,919,728)	**(664,948)**
NET LOSS AND COMPREHENSIVE LOSS	**(6,614,448)**	**(2,334,505)**
Loss per share, basic and diluted	(0.09)	(0.04)
Weighted average number of common shares outstanding – Basic and diluted	**74,823,947**	**62,268,056**

The accompanying notes are an integral part of these consolidated financial statements.

HYTN Innovations Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
As at September 30, 2024 and 2023
In Canadian Dollars, unless noted

	Common Shares	Share Capital	Subscriptions Received	Warrant reserve	Stock-based payment reserve	Equity contribution to subsidiary	Deficit	Total Equity
	Number	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, September 30, 2022	62,259,837	13,128,431	-	2,766	726,432	(54,655)	(11,729,015)	**2,073,969**
Stock-based compensation (Note 12)	-	-	-	-	125,252	-	-	**125,252**
Subscriptions received	-	-	450,000	-	-	-	-	**450,000**
Settlement of performance share units (Note 12)	60,000	-	-	-	-	-	-	**-**
Loss for the year	-	-	-	-	-	-	(2,334,505)	**(2,334,505)**
Balance, September 30, 2023	**62,319,837**	**13,128,431**	**450,000**	**2,776**	**851,684**	**(54,655)**	**(14,063,520)**	**314,716**
Private placement - $0.10 (Note 12)	5,050,000	505,000	(450,000)	-	-	-	-	**55,000**
Private placement - $0.075 (Note 12)	9,980,670	748,550	-	-	-	-	-	**748,550**
Shares issued for acquisition – Prism (Note 11,12)	12,100,100	3,932,533	-	-	-	-	-	**3,932,533**
Exercises - warrants	500,000	125,000	-	-	-	-	-	**125,000**
Stock-based compensation (Note 12)	-	-	-	-	1,265,674	-	-	**1,265,674**
Loss for the year	-	-	-	-	-	-	(6,614,448)	**(6,614,448)**
Balance, September 30, 2024	**89,950,607**	**18,439,514**	**-**	**2,776**	**2,117,358**	**(54,655)**	**(20,677,968)**	**(172,975)**

The accompanying notes are an integral part of these consolidated financial statements.

HYTN Innovations Inc.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2024 and 2023
In Canadian Dollars, unless noted

For the Years Ended September 30,		2024	2023
		$	$
OPERATING ACTIVITIES			
Net loss for the year		**(6,614,448)**	**(2,334,505)**
Items not affecting cash			
Depreciation	**6**	198,765	266,178
Amortization	**7**	2,888	-
Stock-based compensation	**12**	1,265,674	125,252
Change in decommissioning provision	**9**	(32,000)	471,975
Interest/accretion expense	**8,9**	146,638	132,775
Loss on asset disposal	**6**	15,473	46,626
Gain on contingent consideration payable revaluation	**7**	(5,400)	-
Gain on settlement of loans payable	**10**	(7,970)	-
Acquisition expense	**11**	3,789,485	-
Net changes in non-cash working capital items:			
Accounts receivable		16,343	(54,855)
Prepaid expenses		(15,587)	9,460
Inventory		137,143	75,599
Deposits		(8,576)	(6,000)
Accounts payable and accrued liabilities		307,437	73,054
Accrued interest		-	13,572
Provision for returns		20,774	-
Cash used in operating activities		**(783,361)**	**(1,180,869)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**6**	(20,846)	-
Cash acquired on acquisition	**11**	182,808	-
Purchase of term deposit		-	(5,000)
Proceeds on asset disposal	**6**	712	900
Cash provided (Used in) by investing activities		**162,674**	**(4,100)**
FINANCING ACTIVITIES			
Private placement proceeds received - $0.10	**12**	55,000	-
Private placement proceeds received - $0.075	**12**	748,550	-
Warrant exercise proceeds received	**12**	125,000	-
Repayment of lease liability	**8**	(138,842)	(133,827)
Repayment of loans payable	**10**	(100,000)	-
Loan proceeds received		-	30,000
Subscriptions received		-	450,000
Cash provided by in financing activities		**689,708**	**346,173**
Net change in cash		69,021	(838,796)
Cash, beginning of year		187,559	1,026,355
Cash, end of year		**256,580**	**187,559**

No cash interest or income taxes paid during the years ended September 30, 2024 and 2023.

Supplemental cash flow information – Note 18

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

HYTN Innovations Inc. (the “Company” or “HYTN Innovations”) was incorporated under the laws of British Columbia on October 22, 1990. The Company’s principal place of business is 303-890 Clement Avenue, Kelowna, British Columbia.

On February 17, 2022, the Company completed the Securities Exchange Agreement (the “SEA”) with HYTN Beverage Corp. (“HYTN”), pursuant to which the Company purchased all of the outstanding securities of HYTN in exchange for common shares and common share purchase warrants of the Company issued on a one-for-one basis to the former security holders of HYTN (the “Reverse Take-Over” or “RTO”). The transaction was accounted for as a reverse acquisition, with HYTN identified as the accounting acquirer. Consequently, the comparative figures reported are those of HYTN.

In addition, the Company entered into an amalgamation agreement (the “Amalgamation Agreement”) with 1306562 B.C. Ltd. (“Numberco”) and MMO Merger Holdings Inc., a wholly-owned subsidiary of the Company (“Subco”), pursuant to which Numberco and Subco amalgamated on February 17, 2022 under the Business Corporations Act (British Columbia) with the resulting entity (“Amalco”) continuing as a wholly-owned subsidiary of the Company (the “Amalgamation”, and together with the Reverse Take-Over, the “Corporate Transactions”).

The Corporate Transactions constituted a change of business for the Company, with the Company carrying on with the development and launch of HYTN’s sparkling tetrahydrocannabinol and cannabidiol beverage business.

On February 22, 2022, the Company changed its name from Mount Dakota Energy Corp. to HYTN Innovations Inc. and listed its Common Shares on the Canadian Securities Exchange (the “CSE”) under the symbol “HYTN”.

On July 16, 2024, the Company completed the acquisition of 100% of the issued and outstanding share capital of Prism Scientific Labs Inc. (“Prism”) (Note 11).

These consolidated financial statements (the “financial statements”) were approved by the Board of Directors on January 28, 2025.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. On September 30, 2024, the Company had not yet achieved profitable operations and had a deficit of $20,667,968 (September 30, 2023 - $14,063,520) and a working capital deficiency of $614,567 (September 30, 2023 - $242,675).

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 Company expects to incur further losses in the development of its business. If for any reason, the Company is unable to continue as a going concern, this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material. Management is aware of the Company’s reliance on external funding through equity and debt financing, which leads to a material uncertainty which casts doubts on the Company’s ability to continue as a going concern.

Global Conflict

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business and the appropriateness of the preparation of the consolidated financial statements on a going concern basis.

3. BASIS OF PRESENTATION

a) Basis of presentation

These consolidated financial statements have been prepared using IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Basis of consolidation

These financial statements are presented in Canadian dollars ("CAD") and incorporate the financial results of the Company and its controlled subsidiaries:

Entity	Jurisdiction	Functional currency	Ownership % 2024	Ownership % 2023
HYTN Innovations Inc.	Canada	CAD	Parent	Parent
HYTN Beverage Corp	Canada	CAD	100%	100%
HYTN Cannabis Inc.	Canada	CAD	100%	100%
1306562 B.C. Ltd.	Canada	CAD	100%	100%
Prism Scientific Labs Inc.	Canada	CAD	100%	0%

Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

c) Foreign currencies

The Company's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

d) Significant accounting judgements and estimates

The timely preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses, and disclosures.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. As at September 30, 2024, management has identified the following significant estimates:

i) **Valuation of inventory**
In calculating the net realizable value (NRV) of inventory, management determines the selling prices based on current observable market sales prices, selling costs, and includes an estimate of slow moving, spoiled or expired inventory based on the most reliable evidence available at the time, to record inventory at the lower of cost or net realizable value.

ii) **Provisions**
Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. Management uses judgement to assess the existence and to estimate the future decommissioning liability. Management also uses judgement to assess the likelihood of achieving the milestones under Prism's licensed agreement in order to estimate the contingent consideration payable. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. In addition, management determines the appropriate discount rate at each reporting period. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

iii) **Asset acquisition of Prism**
The acquisition transaction required significant judgement in determining whether the transaction met the definition of a business combination under IFRS 3 *Business Combinations,* or whether the transaction should be assessed under IFRS 2 *Share-based Payment*. In addition, estimation was required to determine the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired, see note 11.

iv) **Revenue recognition**
The Company enters into agreements with suppliers to sell cannabis products to customers on behalf of suppliers. There is judgement in determining whether the Company is a principal or agent under the terms of the agreements, and therefore whether the Company records revenue on a gross or net basis. The Company reviews the terms of the agreements to assess whether it controls the specified good or services before transferring those goods or services to the customers including whether it has inventory risk and is primarily responsible for fulfilling the promise to provide the specified goods or services. In the arrangements entered into during the year ended September 30, 2023, the Company has concluded it is acting as an agent. There were no material sales from this revenue stream recognized during the year ended September 30, 2024.

Revenue is recognized net of sales discounts and net of an estimated sales return reserve. The provision for returns at September 30, 2024 reflects actual subsequent returns related to sales recognized in the current year, plus an estimate of returns determined by reviewing its customers' sales and returns history.

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The following critical judgments can have an effect on the amounts recognized in the consolidated financial statements:

i) **Going concern and liquidity**
In assessing the Company's ability to continue as a going concern, management applied judgement as to the Company's ability to fund operating and debt services requirements for the next 12 months. Management has identified material uncertainties which cast significant doubt regarding the Company's ability to continue as a going concern (Note 2).

4. MATERIAL ACCOUNTING POLICIES

a) Accounts receivable

Accounts receivable are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Accounts receivable are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses, which the Company estimates on the basis of historical collection rates and observable changes in credit risk.

b) Inventory

Inventory of raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost includes the cost of purchase and a proportion of manufacturing overhead, and is determined using the weighted average method, which under the circumstances, management believes will provide for the most practical basis for the measurement of periodic income. Management periodically reviews inventory for obsolescence and considers realizability based on the Company's marketing strategies and sales forecasts to determine if an allowance is necessary. If net realizable value is below cost, then an allowance is created to adjust the carrying amount of inventory or is written off.

c) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is provided using the following terms and methods:

Asset	Method	Term
Leasehold improvements and right-of-use assets	Straight line	15 years (over life of the lease)
Equipment	Straight line	7 years

An asset's residual value and useful life are reviewed at each reporting date and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

d) Intangible asset

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life of the intellectual property and assessed for indicators of impairment at the end of each reporting period. The amortization period is reviewed at least annually.

The Company owns an intangible asset consisting of a license agreement, which are amortized on a straight-line basis over their estimated use lives as follows:

Asset	Method	Term
Intellectual property license	Straight line	5 years (over the life of the license)

e) Contingent consideration payable

Contingent consideration payable is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration meets the definition of a financial instrument classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

f) Decommissioning Provision

HYTN Innovation's previous oil and gas operating activities gave rise to dismantling, decommissioning and site remediation activities. The Company recognizes a liability for the estimated present value of the future decommissioning liabilities at each reporting period date using a risk-free discount rate.

The associated decommissioning cost is capitalized and depleted over the same period as the underlying asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized prospectively as a change in the decommissioning liability and related capitalized decommissioning cost unless the related assets are fully impaired, which results in the revision being charged to profit or loss.

In estimating the future decommissioning provision, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

g) Impairment

At each consolidated statement of financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Leases

The Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the consolidated statements of financial position, the right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

i) Revenue recognition

The Company generates revenue primarily from the sale of cannabis related products.

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment for retail transactions is typically due prior to shipment. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company’s credit policy upon the transfer of goods to the customer.

The Company generally satisfies its performance obligation and transfers control to the customer upon delivery. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

Government customers have the right to return products, and in some cases, the Company may provide a retrospective price reduction based primarily on inventory movement. These items give rise to variable consideration. The Company uses historical evidence, current information and forecasts to estimate the variable consideration. The estimation of future returns and pricing adjustments includes the use of management estimates and assumptions that may not be certain given the evolving nature of the industry. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer’s consideration. The estimate is updated at each reporting period date.

Canada Revenue Agency ("CRA") levies excise taxes on the sale of medical and adult-use cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to the customer.

- The excise taxes payable for dried/fresh cannabis, cannabis plants and cannabis plant seeds is the higher of (i) a flat-rate duty which is imposed when a cannabis product is packaged, and (ii) an ad valorem duty that is imposed when a cannabis product is delivered to the customer
- The excise taxes payable for edible cannabis products, cannabis extracts and cannabis topicals is calculated as a flat rate based on the quantity of total tetrahydrocannabinol (THC) contained in the final product.

Net revenue from sale of goods, as presented on the consolidated statement of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes.

Principal vs. Agent
When the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue approximating the margin earned when control over the principal's good has been transferred to the customer upon delivery. The determination of whether the Company is acting as principal or agent requires the exercise of judgment.

j) Income taxes

The income tax expense or recovery for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense or recovery is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

k) Stock-based compensation

The Company's share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at grant date and the fair value of non-employee options is at the grant date or over the period such services are received. Each tranche of employee and non-employee options granted is recognized using the graded vesting method over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each consolidated statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The fair value of options granted to non-employees is measured at the fair value of the underlying goods and services received if reliably measurable. Where the fair value of the underlying goods and services is not reliably measurable, fair value of the options granted is measured using the Black–Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Where the identifiable consideration received by the Company appears to be less than the fair value of the equity instruments granted, identifiable consideration is measured at their fair value with the difference allocated to unidentifiable goods and services received. The Company recognizes any amounts related to unidentifiable goods and services as an expense in the consolidated statements of loss and comprehensive loss.

For restricted share units ("RSU") and performance share units ("PSU"), the fair value of the grant is determined by multiplying the Company's share price at grant date by the number of RSU or PSU granted and recorded as compensation expense in profit or loss. As the Company intends to settle the RSU or PSU through equity settlement, a corresponding credit is recorded to contributed surplus. The resulting fair value of the RSU or PSU is then adjusted for an estimated forfeiture rate which is determined based on historical data and is recognized over the vesting period. Actual number of RSU or PSU that will eventually vest is likely to be different from estimation. Upon settlement of the RSU or PSU through the issuance of shares, the amount reflected in stock-based payment reserve is credited to share capital.

Share-based payments granted to non-employees that are related to the issuance of shares are recorded as a reduction of share capital. All share-based payments are reflected in reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve is credited to share capital, adjusted for any consideration paid. Amount recorded in the reserve for awards which expire unexercised remain in the reserve.

l) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units.

The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as warrant reserve. Amount recorded in warrants reserve for warrants which expire unexercised remain in warrant reserve.

m) Accounting standards adopted in the current year

Disclosure of accounting policies (Amendments to International Accounting Standard ("IAS") 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments)
Effective October 1, 2023, amendments to IAS 1 Presentation of Financial Statements were adopted with respect to disclosure of the Company's accounting policies. The adoption of the amendments did not result in any changes to the Company's accounting policies, the only impact was to the accounting policy information disclosed in the financial statements. As a result of the adoption of the amendments, the title of this note 4 was changed from "Significant accounting policies" to "Material accounting policies" which had been used in all previous periods.

Where management determined necessary, clarifying language was applied in order to enhance focus on the materiality of a policy, and immaterial policy language was deleted.

Amendments to IAS 8 – Definition of accounting estimates
Effective October 1, 2023, the Company adopted the amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8"). The IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates.

The adoption of the amendments did not result in any impact to the Company's consolidated financial statements.

n) Upcoming accounting standards and interpretations

The following are the standards, amendments, and interpretations that the Company expects may be applicable at a future date and, if so, intends to adopt when they become effective. Certain other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

In January 2020 and October 2022, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company has assessed that the adoption of this amendment will have no impact on its consolidated financial statements.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact that the adoption of IFRS 18 will have on its consolidated financial statements.

In May 2024, the IASB issued narrow-scope amendments to the recognition, derecognition and classification requirements in IFRS 9 – Financial Instruments ("IFRS 9") and introduced additional disclosure requirements in IFRS 7 – Financial Instruments: Disclosure ("IFRS 7"). Key changes include clarification on the timing of recognition and derecognition of financial assets and liabilities, introduction of additional disclosure for certain financial instruments with contractual terms that could change the timing or amount of contractual cash flows due to contingent events that are not directly related to changes in basic lending risks and costs, and additional guidance for assessing whether the contractual cash flows of financial assets represent solely payments of principal and interest and updated disclosures for equity instruments designated at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Company is currently assessing the impact that the adoption of these amendments will have on its consolidated financial statements.

In Canadian Dollars, unless noted

5. INVENTORY AND COST OF SALES

Inventory as at September 30, 2024 and 2023 consisted of the following:

As at	**2024**	**2023**
	$	**$**
Raw materials	136,673	278,059
Work in process	2,864	9,137
Finished goods	22,894	12,378
	162,431	**299,574**

During the year ended September 30, 2024, the Company wrote off $33,036 (2023 – $nil) of inventory.

Cost of sales for the years ended September 30, 2024 and 2023 consist of the following:

For the Years Ended September 30,	**2024**	**2023**
	$	**$**
Depreciation	46,834	78,458
Freight and shipping	71,061	96,113
Materials	352,773	347,272
Other	-	14,057
Wages	93,383	135,711
	564,051	**671,611**

6. PROPERTY, PLANT AND EQUIPMENT

At September 30, 2024 and 2023, the Company's property, plant and equipment are as follows:

	Leasehold Improvements	**Equipment**	**Right-of-Use Assets**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance, September 30, 2022	977,196	721,620	797,969	2,496,785
Disposals	-	(150,221)	-	(150,221)
Balance, September 30, 2023	**977,196**	**571,399**	**797,969**	**2,346,564**
Additions	14,893	5,953	-	20,846
Disposals	-	(16,185)	-	(16,185)
Balance, September 30, 2024	**992,089**	**561,167**	**797,969**	**2,351,225**
Accumulated Depreciation				
Balance, September 30, 2022	78,782	118,367	84,242	281,391
Additions	65,146	147,836	53,196	266,178
Disposals	-	(70,712)	-	(70,712)
Balance, September 30, 2023	**143,928**	**195,491**	**137,438**	**476,857**
Additions	65,642	79,927	53,196	198,765
Disposals	-	-	-	-
Balance, September 30, 2024	**209,570**	**275,418**	**190,634**	**675,622**

In Canadian Dollars, unless noted

Net, September 30, 2023	**833,268**	**375,908**	**660,531**	**1,869,707**
Net, September 30, 2024	**782,519**	**285,749**	**607,335**	**1,675,603**

During the year ended September 30, 2024, the Company allocated a total of $48,169 of depreciation related to right-of-use assets and equipment to inventory in the form of overhead (2023 - $70,752).

During the year ended September 30, 2024, the Company disposed of equipment with a net book value of $16,185 for $712, which lead to a loss on disposal of $15,473. The amount was recorded as a loss on asset disposal on the consolidated statements of loss and comprehensive loss.

During the year ended September 30, 2023, the company disposed of fixed assets for proceeds of $900 and returned unpaid equipment of $31,983, which led to a loss on disposal of $46,626. The amount was recorded as a loss on asset disposal on the consolidated statements of loss and comprehensive loss.

7. INTANGIBLE ASSET

As a result of the Acquisition of Prism (Note 11), the Company acquired exclusive access to Prism's license agreement (the "License") with respect to the technologies of Lux Sit Systems Inc. ("Lux Sit") relating to the cultivation of psilocybin-containing mushrooms (the "Licensed IP"). The Licensed IP includes specialized equipment designed to increase the total yield and the tryptamine profile of mushrooms by enabling the production of larger and more potent biomass for psychedelic drug manufacturing.

This License is for a five-year term expiring on June 4, 2029, with the license agreement between Prism and Lux Sit having been entered into on June 4, 2024.

The License was originally acquired by Prism in exchange for the issuance to Lux Sit of 100,000 Prism shares, and the payment of $35,000, as well as a covenant to issue an additional 100,000 Prism shares and pay $30,000 in cash upon the first anniversary of the license agreement, provided the Licensed IP is proven to provide certain benefits as described in the license agreement. The Company assumed the contingent consideration payable with the completion of the acquisition at a fair value of $56,250. As at year end September 30, 2024, the Company determined the fair value of the contingent consideration payable to be $50,850 and accordingly recognized a loss on revaluation of $5,400 in the Consolidated Statement of Loss and Comprehensive Loss.

As a result of the Acquisition (Note 11), the Company initially recognized the License at $57,770. During the year ended September 30, 2024, the Company recognized $2,888 related to the amortization of the License. The carrying amount at September 30, 2024, was $54,882.

8. LEASE LIABILITY

The Company's right-of-use asset relates to its leased warehouse and manufacturing facility. The Company has one lease with monthly payments of $10,490, increasing every year by $1 per square foot over the initial 5 years, with an initial term of 10 years and three options to renew for an additional 5 years. The lease is secured by the Company's tangible assets. The incremental borrowing rate applied to lease liability was 15%.

The Company has elected to apply the practical expedient to not separate the non-lease components from the lease component. Accordingly, the lease payments used to measure the right-of-use asset and lease liability includes both the non-lease and lease components.

In Canadian Dollars, unless noted

	September 30, 2024	September 30, 2023
	$	$
Balance, Opening	**811,767**	**822,819**
Interest/accretion expense	120,638	122,775
Repayments	(138,842)	(133,827)
Balance, Closing	**793,563**	**811,767**
Less: Current portion	(77,805)	(87,161)
Lease liability, long-term	**715,758**	**724,606**

The Company's annual lease payments are as follows:

Years ending	$
September 30, 2025	143,859
September 30, 2026	145,949
September 30, 2027	145,949
September 30, 2028	145,949
September 30, 2029 and thereafter	1,082,454
Total lease payments	**1,664,160**
Remaining present value adjustment to be accreted over the lease term	(870,597)
Lease liability balance, September 30, 2024	**793,563**

9. DECOMMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provision associated with the Company's reclamation efforts for HYTN Innovation's abandoned petroleum and natural gas properties:

	September 30, 2024	September 30, 2023
	$	$
Balance, Opening	**681,000**	**199,025**
Accretion expense	26,000	10,000
Change in decommissioning provision	(32,000)	471,975
Balance, Closing	**675,000**	**681,000**

The total undiscounted amount of the estimated cash flows required to settle its decommissioning obligations is $692,477 (2023 - $692,477), which is estimated to occur in five years.

At September 30, 2024, the estimated net present value of the obligation was calculated using a risk-free interest rate of 2.70% (September 30, 2023 – 4.32%) based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 1.60% (September 30, 2023 – 3.80%).

10. LOANS PAYABLE

During the year ended September 30, 2024, the Company settled the loan through a payment of $100,000. The loan was unsecured and accrued interest at 15% per annum and was due on demand. Accrued interest of $7,970 was forgiven and recorded as an offset to Interest / accretion expense in the consolidated statements of loss and comprehensive loss. The balance at September 30, 2024 for loans payable was $nil (September 30, 2023 - $107,970). The lender is controlled by a significant shareholder of the Company.

In Canadian Dollars, unless noted

11. CORPORATE TRANSACTION

a) Prism Scientific Labs Inc.

On July 16, 2024, the Company completed the acquisition of 100% of the issued and outstanding share capital of Prism Scientific Labs Inc. in consideration for an aggregate of 12,100,100 common shares in the capital of the Company (the "Acquisition"). The Acquisition granted the Company exclusive access to Prism's license with respect to the technologies of Lux Sit Systems Inc. relating to the cultivation of psilocybin-containing mushrooms (Note 7).

The Company notes that the Prism acquired the license in exchange for the issuance to Lux Sit of 100,000 Prism shares, and the payment of $35,000, as well as a covenant to issue an additional 100,000 Prism shares and $30,000 in cash upon the first anniversary of the license agreement, provided the Licensed IP is proven to provide certain benefits as described in the license agreement. The covenant was fair valued on the acquisition date and recorded as contingent consideration payable.

The transaction was accounted for as an asset acquisition, and not as a business combination as, based on the development stage of Prism, it did not meet the definition of a business. As a result, the transaction has been accounted for in accordance with IFRS 2 Share-based payments.

The fair value of the consideration was determined on the date the Company issued its common shares to Prism (July 16, 2024), which corresponds to 12,100,100 common shares of the Company issued at $0.325 (quoted price). The Company measured the license agreement acquired at its fair value of $57,770, determined based on the total cash and share payments required by Prism to acquire the exclusive use of the Licensed IP. The Company measured the fair value of the contingent consideration payable assumed using the following assumptions:

- Consideration of $30,000 cash payment and 100,000 shares valued at a share price of $0.265; and
- It is 90% probable that certain benefits as described in the license agreement will be realized.

The difference between the fair value of the common shares of $3,932,533 and the fair value attributable to the net identifiable assets of $143,048 consisted of unidentifiable goods or services received, which did not meet the criteria for recognition as an asset. Accordingly, $3,789,485 was recognized as an acquisition expense in the consolidated statement of loss and comprehensive loss.

The purchase price allocation at the acquisition date was as follows:

	$
Cash[1]	182,808
Intangible asset[1]	57,770
Accounts payable and accrued liabilities[1]	(41,280)
Contingent consideration[1]	(56,250)
Net identifiable assets acquired	143,048
Acquisition expense	3,789,485
Net assets acquired	**3,932,533**
Consideration	
Fair value of 12,100,100 shares issued	**3,932,533**

1) Amounts acquired are recorded at fair value

In Canadian Dollars, unless noted

12. SHARE CAPITAL

a) Authorized and Issued Share Capital

The authorized share capital consists of an unlimited number of Class A common voting shares.

Common shares issued and outstanding as at September 30, 2024 are 89,950,607 (September 30, 2023 – 62,319,837).

Shares issued during the years ended September 30, 2024 and 2023 were as follows:

	Description	Number of Shares	Amounts ($)
Balance, September 30, 2022		**62,259,837**	**13,128,431**
August 11, 2023	Settlement of PSU	60,000	-
Balance, September 30, 2023		**62,319,837**	**13,128,431**
October 25, 2023	Private placement	5,050,000	505,000
March 25, 2024	Private placement	9,980,670	748,550
June 25, 2024	Exercise of warrants	500,000	125,000
July 16, 2024	Shares issued for acquisition	12,100,100	3,932,533
Balance, September 30, 2024		**89,950,607**	**18,439,514**

Further details on shares issued for the year ended September 30, 2024 are as follows:

On October 25, 2023, the Company closed its non-brokered private placement of units of the Company ("Units") by issuing a total of 5,050,000 Units at a price of $0.10 per Unit (the "Offering") for aggregate gross proceeds of $505,000. Each Unit consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one additional share at a price of $0.25 per share for a period of 24 months from the closing date of the Offering. Using the residual method, no value was assigned to the warrants.

On March 25, 2024, the Company closed its non-brokered private placement of units of the Company ("Units") by issuing a total of 9,980,670 Units at a price of $0.075 per Unit (the "Offering") for aggregate gross proceeds of $748,550. Each Unit consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one additional share at a price of $0.25 per share for a period of 24 months from the closing date of the Offering. Using the residual method, no value was assigned to the warrants.

On July 16, 2024, the Company issued 12,100,100 common shares with a fair value of $3,932,533 in consideration for the acquisition of 100% of the issued and outstanding common shares of Prism Scientific Labs Inc. (Note 11).

b) Options

The Company has established an omnibus equity incentive plan (the "Plan") dated February 17, 2022, contemplating the grant of equity-based incentive awards, in the form of options, restricted share units, preferred shared units and deferred share units, to employees, officers, directors and consultants of the Company. The Plan is a 10% rolling plan, pursuant to which share awards may be granted by the Company not exceeding 10% of the issued and outstanding common shares at the time of grant. The maximum term for options is 10 years from the date of granted.

In Canadian Dollars, unless noted

A summary of the Company's options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2022 and 2023	**1,990,000**	**$0.35**
Forfeited	(1,015,000)	(0.35)
Balance, September 30, 2024	**975,000**	**$0.35**

At September 30, 2024, the following options were outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
825,000	825,000	$0.35	February 17, 2026
150,000	150,000	$0.35	February 21, 2026
975,000	**975,000**		

At September 30, 2024, the weighted-average remaining life of the outstanding options was 1.39 years (September 30, 2023 – 2.39 years).

During the year ended September 30, 2024, the Company recognized $nil in share-based payment expense in connection with the granting and vesting of options (2023 – $40,728).

c) Restricted Share Units

At September 30, 2024, the following restricted share units ("RSU's") were outstanding:

	RSUs
Balance, September 30, 2022	**1,900,000**
Forfeited	(1,200,000)
Balance, September 30, 2023	**700,000**
Granted – March 19, 2024	1,405,000
Granted – June 27, 2024	3,080,000
Balance, September 30, 2024	**5,185,000**

During the year ended September 30, 2024, the Company granted 4,485,000 RSUs, where 3,360,000 RSUs vested on issuance, and the remaining 1,125,000 RSUs vest quarterly in equal tranches. The fair value of the RSUs was determined based on the Company's share price on the date of grant being $0.145 and $0.37 per share. Upon vesting, each RSU will be redeemable for one common share of the Company.

During the year ended September 30, 2024, the Company recognized $1,265,674 in stock-based compensation expense related to the granting and vesting of RSUs (2023 – $84,524). As the Company intends to settle the RSUs through equity settlement, a corresponding amount was credited to stock-based payment reserve.

In Canadian Dollars, unless noted

d) Share Purchase Warrants

A summary of the Company's warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2022	**2,532,000**	**0.50**
Expired	(2,532,000)	(0.50)
Balance, September 30, 2023	-	-
Granted – private placement	5,050,000	0.25
Granted – private placement	9,980,670	0.25
Exercised	(500,000)	(0.25)
Balance, September 30, 2024	**14,530,670**	**0.25**

The weighted average trading price on the date of exercise is $0.38 (2023 - $nil).

At September 30, 2024, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
4,550,000	$0.25	October 25, 2025
9,980,670	$0.25	March 25, 2026
14,530,670	**$0.25**	

At September 30, 2024, the weighted-average remaining life of the outstanding warrants was 1.35 years.

e) Performance Warrants

During the year ended September 30, 2022, the Company issued an aggregate of 10,000,000 Performance Warrants to certain members of the management team, with each Performance Warrant exercisable upon vesting to acquire one Common Share at a price of $0.05 per share for a period of five years from the date of issuance.

The Performance Warrants have the following vesting terms:

1) 5,000,000 Performance Warrants shall vest and become exercisable upon the Company achieving aggregate gross revenue of $5,000,000 over any period of 12 consecutive months; and

2) 5,000,000 Performance Warrants shall vest and become exercisable upon the Company achieving aggregate gross revenue of $8,000,000 over any period of 12 consecutive months.

No fair value has been recognized as a result of a probability of nil associated with the progress towards the related performance-based milestones.

f) Performance Share Units

On July 11, 2022, the Company granted 235,000 PSU's to certain employees and consultants of the Company. The PSU's have various vesting terms based on performance targets being attained. No fair value has been recognized, at the time of grant, as a result of a probability of nil associated with progress towards the related performance-based milestones. No PSU's were settled during the year ended September 30, 2024 (2023 – 60,000). The remaining 175,000 PSUs expired on May 31, 2023.

In Canadian Dollars, unless noted

	PSUs
Balance, September 30, 2022	**235,000**
Settled	(60,000)
Expired	(175,000)
Balance, September 30, 2023 and 2024	-

g) Resale Restrictions

13,000,000 securities are subject to the following hold periods: 10% of the shares will be released six months after the listing date with the remaining amount to be released in 15% equal tranches every six months thereafter. As at September 30, 2024, 3,900,000 (September 30, 2023 – 7,800,000) common shares are restricted from resale with the next release on February 17, 2025.

5,666,766 securities are subject to the following hold periods: (i) 10% will be released on the Listing Date; (ii) 15% will be released on the date that is 6 months following the Listing Date; (iii) 15% will be released on the date that is 12 months following the Listing Date; (iv) 15% will be released on the date that is 18 months following the Listing Date; (v) 15% will be released on the date that is 24 months following the Listing Date; (vi) 15% will be released on the date that is 30 months following the Listing Date; and (vii) 15% will be released on the date that is 36 months following the Listing Date. As at September 30, 2024, 850,015 (September 30, 2023 – 2,550,045) common shares are held in escrow with the next release on February 17, 2025.

13. REVENUES

The Company generates revenue from the transfer of goods at a point-in-time from the revenue streams below. As a result, the Company has no deferred revenue on the consolidated statements of financial position.

For the Years Ended September 30,	2024	2023
	$	$
Cannabis – beverage sales	639,311	558,573
Cannabis – flower sales	8,717	3,471
Cannabis – edible sales	199,599	131,034
Agent fees	3,867	70,382
	851,494	**763,460**

During the year ended September 30, 2024, the Company had three (2023 - three) customers accounting for more than 10% of revenue from continuing operations and in aggregate accounted for approximately 72% (2023 - 69%) of sales.

14. INCOME TAXES

For the Years Ended September 30,	2024	2023
	$	$
Loss for the year	(6,614,448)	(2,334,505)
Tax rate	27%	27%
Expected income tax recovery	(1,786,000)	(630,000)
Non-deductible expenses and other	(42,000)	34,000
Permanent differences	1,365,000	
Change in unrecognized deductible temporary differences	463,000	596,000
Income tax expense	**-**	**-**

In Canadian Dollars, unless noted

Deferred tax assets have not been recognized in respect of the following deductible temporary differences, unused tax losses, and unused tax credits:

For the Years Ended September 30,	**Expiry**	**2024**	**2023**
		$	**$**
Leases	None	167,000	152,000
Decommissioning provision, contingent consideration payable, and other accruals	None	937,000	681,000
Property, plant and equipment	None	633,000	330,000
Non-capital losses carried forward	2039 to 2044	6,646,000	5,341,000
Deductible temporary differences		**8,383,000**	**6,504,000**

The following is the analysis of recognized deferred tax liabilities and deferred tax assets:

	September 30, 2024	September 30, 2023
	$	$
Deferred tax liabilities		
Intangible asset	**(5,000)**	-
Right-of-Use assets	**(164,000)**	(178,000)
Deferred tax liabilities	**(169,000)**	(178,000)
Deferred tax assets		
Lease liability	**169,000**	178,000
Deferred tax assets	**169,000**	178,000
Net deferred tax assets (liabilities)	**-**	-

15. RELATED PARTY TRANSACTIONS

Key management personnel are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

In Canadian Dollars, unless noted

The aggregate value of transactions relating to key management personnel during the year ended September 30, 2024 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive Granted	Equity Incentive Grant Amount	Equity Incentive Vested Fair Value	Fees
		#	$	$
The CEO and Director pursuant to officer services provided	RSUs	1,450,000	462,994	200,000 – Salaries & Payroll
The COO and Director pursuant to officer services provided	RSUs	1,450,000	462,994	250,500 – Salaries & Payroll
The CFO pursuant to officer services provided	RSUs	750,000	203,994	90,000 – Consulting
A Director of the Company pursuant to director services provided	RSUs	125,000	9,497	30,000 – Consulting
A company controlled by a significant shareholder	RSUs	250,000	18,994	99,000 Consulting, office and misc.
Total		**4,025,000**	**1,158,473**	**669,500**

The aggregate value of transactions relating to key management personnel during the year ended September 30, 2023 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive	Equity Incentive Grant Amount	Equity Incentive Vested Fair Value	Fees
		#	$	$
The CEO and Director pursuant to officer services provided	Options, RSUs	-	12,468	200,000 – Salaries & Payroll 15,814 – Office and misc.
The COO and Director pursuant to officer services provided	Options, RSUs	-	12,468	250,000 – Salaries & Payroll
The CFO pursuant to officer services provided	Options, RSUs	-	8,020	90,000 – Consulting
A Director of the Company pursuant to director services provided	RSUs	-	8,897	30,000 – Professional Fees
A former Director of the Company pursuant to director services provided	RSUs	-	8,897	Nil
A former Director of the Company pursuant to director services provided	RSUs	-	44,486	Nil
Total		**-**	**95,236**	**585,814**

As at September 30, 2024, $472,092 (September 30, 2023 – $235,990) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

16. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions, and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of public or private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There is no change to how capital is managed from the prior year.

17. RISK MANAGEMENT

a) Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

i. Credit Risk
Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. The Company's cash, restricted cash and the majority of deposits are held in large Canadian financial institutions and its accounts receivable relates to third-party sales and GST receivable, which have no history of default; hence credit risk is low.

ii. Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations. At September 30, 2024, the Company's working capital deficiency is $614,567 (September 30, 2023 - $242,675) and it does not have any long-term financial liabilities other than lease liabilities and decommissioning obligations. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

iii. Market Risk
Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

iv. Currency Risk
The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The amount of financial instruments denominated in currencies other than the Canadian dollar at September 30, 2024 was not material, therefore, the Company's operations are not subject to significant currency risk. The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time.

b) Fair Values

The carrying values of accounts receivable, accounts payable and accrued liabilities, deposits, and lease liabilities approximate their fair values.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company's cash and restricted cash is measured at FVTPL and is level 1.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

In Canadian Dollars, unless noted

The Company's financial instruments, other than cash and restricted cash, are measured at amortized cost.

18. SUPPLEMENTAL CASH FLOW INFORMATION

For the Years Ended September 30,	2024	2023
	$	$
Non-cash financing and investing activities		
Fair value of shares issued as consideration for the Acquisition	3,932,533	-
Return of unpaid equipment in accounts payable and accrued liabilities	-	31,983

19. COMMITMENTS

The Company has contracts with the CEO and COO of the Company that include termination and change of control clauses. In the case of termination and change of control, the CEO and COO are entitled lump sum payment equal to 2 years of their annual remuneration. This would amount to up to $900,000 based on salaries in effect as at September 30, 2024.

20. SUBSEQUENT EVENTS

Subsequent to September 30, 2024, the Company issued 1,790,000 common shares as a result of the settlement of 60,000 RSUs and exercise of 1,730,000 warrants at an exercise price of $0.25 per share.

On October 9, 2024, The Company granted 200,000 RSUs to a consultant. The RSUs vest in 25% tranches every three months after the grant date.