HYTN INNOVATIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 and 2021

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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, 2022 and September 30, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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.

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
January 30, 2023

HYTN Innovations Inc.
Consolidated Statements of Financial Position
As at September 30, 2022 and 2021
In Canadian Dollars, unless noted

As at	Notes	September 30, 2022	September 30, 2021
		$	$
ASSETS			
Current Assets			
Cash		1,026,355	264,062
Accounts receivable		72,721	33,291
Prepaid expenses		9,460	87,097
Inventory	**5**	375,173	122,840
Loan receivable	**10**	-	38,785
Total current assets		1,483,709	546,075
Non-current Assets			
Property, plant and equipment	**6**	2,215,394	2,205,363
Deposits	**10**	87,290	10,450
Total non-current assets		2,302,684	2,215,813
TOTAL ASSETS		**3,786,393**	**2,761,888**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	**14**	626,182	195,510
Loans payable	**9**	64,398	1,747,547
Lease liability - current	**7**	97,515	108,946
Total current liabilities		**788,095**	**2,052,003**
Non-current Liabilities			
Lease liability - non-current	**7**	725,304	718,764
Decommissioning provision	**8**	199,025	-
Total non-current liabilities		924,329	718,764
TOTAL LIABILITIES		**1,712,424**	**2,770,767**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	**11**	13,128,431	1,446,471
Warrant reserve	**11**	2,776	-
Stock-based payment reserve	**11**	726,432	-
Equity contribution to subsidiary	**10**	(54,655)	-
Deficit		(11,729,015)	(1,455,350)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**2,073,969**	**(8,879)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**3,786,393**	**2,761,888**

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

Going concern (Note 2)
Subsequent events (Note 18)

Approved on behalf of the Board of Directors:

"Elliot McKerr", Director　　*"Dennis Staudt",* Director

HYTN Innovations Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended September 30, 2022 and 2021
In Canadian Dollars, unless noted

For the Years Ended September 30,	2022	2021
	$	$
Revenues (Note 12)	696,361	-
Cost of Sales (Note 5)	574,712	-
GROSS PROFIT	121,649	-
EXPENSES		
Advertising and marketing	184,247	54,626
Commission	72,239	-
Consulting expense (Note 14)	119,807	-
Depreciation (Note 6)	157,435	67,318
Office and miscellaneous (Note 14)	468,549	156,794
Professional fees	425,396	107,397
Salaries and payroll (Note 14)	877,979	351,251
Stock based compensation (Note 11)	726,432	-
Transfer agent and filing fees	50,207	-
Travel	27,262	44,400
OPERATING EXPENSES	**3,109,553**	**781,786**
TOTAL OPERATING LOSS	**(2,987,904)**	**(781,786)**
Change in decommissioning provision (Note 8)	(47,690)	-
Foreign exchange gain	27	405
Gain on debt settlement (Notes 10 and 11)	509,278	-
Gain on asset disposal (Note 6)	30,580	-
Interest / accretion expense (Note 7,8,10)	(129,400)	(89,250)
Transaction costs (Note 10)	(4,759,824)	-
Listing expense (Note 10)	(2,888,732)	-
	(7,285,761)	(88,845)
NET LOSS AND COMPREHENSIVE LOSS	**(10,273,665)**	**(870,631)**
Loss per share, basic and diluted	(0.23)	(0.07)
Weighted average number of common shares outstanding – Basic and diluted	44,336,831	12,658,077

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

HYTN Innovations Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended September 30, 2022 and 2021
In Canadian Dollars, unless noted

	Common Shares	Share Capital	Subscriptions Received	Warrant Reserve	Stock-based Payment Reserve	Equity Contribution to Subsidiary	Deficit	Total Equity (Deficiency)
	Number	$	$	$	$	$	$	$
Balance, September 30, 2020	105,001	800,576	530,000	-	-	-	(584,719)	745,857
Shares issued – private placements	15,426,999	645,895	(530,000)	-	-	-	-	115,895
Loss for the year	-	-	-	-	-	-	(870,631)	(870,631)
Balance, September 30, 2021	**15,532,000**	**1,446,471**	-	-	-	-	**(1,455,350)**	**(8,879)**
Balance, September 30, 2021	15,532,000	1,446,471	-	-	-	-	(1,455,350)	(8,879)
Corporate Transactions (Notes 10 & 11)	41,635,055	10,408,764	-	2,776	-	-	-	10,411,540
Shares issued - settlement of indebtedness (Notes 10 & 11)	5,092,782	1,273,196	-	-	-	-	-	1,273,196
Stock based compensation (Note 11)	-	-	-	-	726,432	-	-	726,432
Equity contribution to HYTN Cannabis (Note 10)	-	-	-	-	-	(54,655)	-	(54,655)
Elimination of HYTN shares upon RTO (Note 10)	(15,532,000)	-	-	-	-	-	-	-
Shares issued to HYTN shareholders upon RTO (Note 10)	15,532,000	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-		(10,273,665)	(10,273,665)
Balance, September 30, 2022	**62,259,837**	**13,128,431**	-	**2,776**	**726,432**	**(54,655)**	**(11,729,015)**	**2,073,969**

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, 2022 and 2021
In Canadian Dollars, unless noted

For the Years Ended September 30,		2022	2021
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(10,273,665)	(870,631)
Items not affecting cash			
Depreciation	**6**	212,435	67,318
Stock based compensation	**11**	726,432	-
Change in decommissioning provision	**8**	47,690	-
Gain on debt settlement	**10,11**	(509,278)	-
Gain on asset disposal	**6**	(30,580)	-
Interest/accretion expense	**7,8**	129,400	89,250
Transaction costs	**10**	4,759,824	-
Listing expense	**10**	2,888,732	-
Net changes in non-cash working capital items:			
Accounts receivable		(28,007)	(10,191)
Prepaid expenses		85,633	(51,589)
Inventory		(252,333)	(5,528)
Accounts payable and accrued liabilities		88,439	87,854
Cash used in operating activities		**(2,155,278)**	**(693,517)**
INVESTING ACTIVITIES			
Cash acquired through acquisition - HYTN Cannabis	**10**	7,739	-
Cash acquired through amalgamation - NumberCo	**10**	2,400,171	-
Cash acquired through reverse takeover - HYTN Innovation	**10**	217	-
Cash paid for acquisition - HYTN Cannabis	**10**	(100)	-
Funds to HYTYN Cannabis prior to acquisition	**10**	(26,505)	(38,785)
Purchase of property, plant and equipment	**6**	(222,466)	(973,584)
Proceeds on asset disposal	**6**	30,580	-
Deposits		-	(10,450)
Cash provided by (used) in investing activities		**2,189,636**	**(1,022,819)**
FINANCING ACTIVITIES			
Share issuance		-	115,895
Repayment of lease liability	**7**	(128,811)	(41,962)
Net change in pre-acquisition loan payable to acquiree	**10**	856,746	1,730,000
Cash provided by financing activities		**727,935**	**1,803,933**
Net change in cash		762,293	87,597
Cash, beginning of year		264,062	176,465
Cash, end of year		**1,026,355**	**264,062**

No cash interest or income taxes paid during the years ended September 30, 2022 and 2021. Cash includes $15,000 (2021 - $Nil) in restricted cash.

Supplemental cash flow information – Note 17

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

1. NATURE OF OPERATIONS

HYTN Innovations Inc. (formerly Mount Dakota Energy Corp.) (the "Company" or "HYTN Innovations") was incorporated under the laws of British Columbia on October 22, 1990. The Company's registered office is 12 East 4th Avenue, Vancouver, 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. See Note 10 for further information regarding the Corporate Transactions.

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".

These consolidated financial statements (the "financial statements") were approved by the Board of Directors on January 27, 2023.

2. GOING CONCERN

These 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, 2022, the Company had not yet achieved profitable operations and had a deficit of $11,729,015 (September 30, 2021 - $1,455,350) and a working capital surplus (deficiency) of $695,614 (September 30, 2021 - $(1,505,928)).

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 material uncertainty on the Company's ability to continue as a going concern.

COVID-19 Pandemic

The COVID-19 pandemic continues to impact the global economic recovery. The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Conflict in Ukraine

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, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

3. BASIS OF PRESENTATION

In these financial statements, unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Company's functional and presentation currency.

a) Basis of preparation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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 %*
HYTN Innovations Inc.	Canada	CAD	Parent
HYTN Beverage Corp	Canada	CAD	100%
HYTN Cannabis Inc.	Canada	CAD	100%
1306562 B.C. Ltd.	Canada	CAD	100%

**Comparative period ownership was nil.*

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 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, 2022, management has identified the following material 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 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. 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.

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 utilizes significant estimates in the forecasting of future cash flows. Critical input estimates such as economic conditions, market demands, production quality, integrated operating activities and capital project expenditures are used.

ii) **Reverse takeover**

The determination of the acquirer in the Acquisition of HYTN by HYTN Innovations requires significant judgment assessing the relative voting rights, composition of the governing body, and composition of senior management of the combined entity, amongst other factors. The Company concluded HYTN to be the acquirer, and its acquisition of all of the outstanding shares of HYTN Innovations has been determined to be an asset acquisition as HYTN Innovations does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction has been accounted for as a reverse takeover by HYTN of HYTN Innovations' net assets in accordance with the guidance under IFRS 2, Share-based Payment.

The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

iii) **Common control transaction using predecessor carrying values**
On February 14, 2022, the Company entered into an agreement to acquire HYTN Cannabis Inc. ("HYTN Cannabis"), a private company headquartered in Kelowna, B.C., for a nominal acquisition price, consolidating legal ownership of the HYTN Cannabis Standard Processing License under the Company.

HYTN Cannabis and the Company was controlled by the same shareholders; consequently, the entities were under common control at the time of the Acquisition. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides no guidance on the accounting for these types of transactions and an entity is required to develop an accounting policy. The three most common methods utilized are the purchase method, the predecessor values since inception method, and the predecessor values from date of transaction method. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory.

Management has determined the predecessor values from date of transaction method to be most appropriate. This method requires the financial statements to be prepared using the predecessor carrying values without any step up to fair value. The difference between any consideration and the aggregate carrying value of the assets and liabilities is recorded as a equity contribution to subsidiary in shareholders' equity.

4. SIGNIFICANT 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, merchandise and devices and finished goods are valued at the lower of cost and net realizable value. Cost 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. Currently inventory consists of raw materials that will be used in production of its beverages. 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. Construction in progress is transferred to a depreciable asset class property, plant and equipment when the assets are available for use and depreciation of the assets commences at that point.

Depreciation is provided using the following terms and methods:

Asset	Method	Term
Leasehold improvements	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) 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 balance sheet 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.

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.

e) 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.

f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of a acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

Business combination under common control is accounted for by applying the pooling of interests method. All assets and liabilities of the combining parties are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination that would otherwise be done under the acquisition method. No goodwill is recognized as a result of the combination. The consolidated statement of operations and comprehensive loss reflects the results of the combining parties from the date of the transaction.

g) 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.

To apply this definition the Company assesses whether the contract meets six key evaluations, amongst which are:

i. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

ii. The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
iii. The Company has the right to direct the use of the identified asset throughout the period of use.
iv. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. 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.

h) Revenue recognition

The Company generates revenue primarily from the sale of cannabis related products. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

i. Identify the contract with a customer;
ii. Identify the performance obligation(s) in the contract;
iii. Determine the transaction price;
iv. Allocate the transaction price to the performance obligation(s) in the contract;
v. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment for recreational sales 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 and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

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

Effective May 1, 2019, excise tax calculated on edible cannabis products, cannabis extracts and cannabis topicals will prospectively be calculated as a flat rate based on the quantity of total tetrahydrocannabinol (THC) contained in the final product. There were no changes in the legislation in calculating excise taxes for fresh cannabis, dried cannabis, seeds and plants. 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.

i) Cost of sales

Cost of sales includes cost of inventory expensed, depreciation, packaging costs, shipping costs and related labour.

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 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.

For restricted share units ("RSU"), the fair value of the grant is determined by multiplying the Company's share price at grant date by the number of RSU granted and recorded as stock-based compensation expense in profit or loss. As the Company intends to settle the RSU through equity settlement, a corresponding credit is recorded to stock-based payment reserve. The resulting fair value of the RSU 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 that will eventually vest is likely to be different from estimation. Upon settlement of the RSU 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) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net loss (the numerator) by the weighted average number of outstanding common shares for the period (the denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same.

m) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii. Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period. Interest expense is reported in profit or loss.

Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVTOCI are initially recorded at fair value less transaction costs. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are included in comprehensive income or loss in the period in which they arise.

iii. Impairment of financial assets at amortized cost

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

iv. Derecognition

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

Financial liabilities are removed from the consolidated statement of financial position when the contract is extinguished, or, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss is recorded in profit or loss.

In Canadian Dollars, unless noted

n) 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.

o) Changes to significant accounting policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after October 1, 2021, or later periods.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023 and are not expected to have material impact on the Company.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022 and are not expected to have material impact on the Company.

5. INVENTORY AND COST OF SALES

Inventory as at September 30, 2022 and 2021 consists of the following:

	2022	2021
	$	$
Raw materials	318,913	122,840
Work in process	8,148	-
Finished goods	48,112	-
	375,173	**122,840**

During the year ended September 30, 2022, the Company wrote off $41,161 (2021 – $nil) consisting of labels and cans that could no longer be used in production.

In Canadian Dollars, unless noted

Cost of sales for the years ended September 30, 2022 and 2021 consists of the following:

For the Years Ended September 30,	2022	2021
	$	$
Depreciation	41,000	-
Freight and shipping	37,069	-
Materials	342,403	-
Other	34,176	-
Wages	120,064	-
	574,712	**-**

6. PROPERTY, PLANT AND EQUIPMENT

At September 30, 2022, the Company's property, plant and equipment are as follows:

	Leasehold Improvements	Equipment	Right-of-Use Assets	Total
	$	$	$	$
Cost				
Balance, September 30, 2020	**4,429**	**441,849**	**-**	**446,278**
Additions	919,749	110,323	797,969	1,828,041
Balance, September 30, 2021	**924,178**	**552,172**	**797,969**	**2,274,319**
Additions	53,018	169,448	-	222,466
Balance, September 30, 2022	**977,196**	**721,620**	**797,969**	**2,496,785**
Accumulated Depreciation				
Balance, September 30, 2020	**-**	**1,638**	**-**	**1,638**
Additions	15,403	20,871	31,044	67,318
Balance, September 30, 2021	**15,403**	**22,509**	**31,044**	**68,956**
Additions	63,379	95,858	53,198	212,435
Balance, September 30, 2022	**78,782**	**118,367**	**84,242**	**281,391**
Net, September 30, 2020	**4,429**	**440,211**	**-**	**444,640**
Net, September 30, 2021	**908,775**	**529,663**	**766,925**	**2,205,363**
Net, September 30, 2022	**898,414**	**603,253**	**713,727**	**2,215,394**

During the year ended September 30, 2022, the Company allocated a total of $55,000 of depreciation related to leasehold improvements to cost of goods sold and rent expense, in the form of overhead (2021 - $Nil).

During the year ended September 30, 2022, the Company disposed of surface and mineral lease properties for proceeds of $30,580 (2021 - $Nil). The amount was recorded as a gain on asset disposal on the consolidated statements of loss and comprehensive loss, as the asset had a $nil net book value recorded.

7. 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%.

In Canadian Dollars, unless noted

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.

	September 30, 2022	September 30, 2021
	$	$
Balance, Opening	**827,710**	**-**
Additions	-	797,969
Interest/accretion expense	123,920	71,703
Repayments	(128,811)	(41,962)
Balance, Closing	**822,819**	**827,710**
Less: Current portion	(97,515)	(108,946)
Lease liability, long-term	**725,304**	**718,764**

The Company's annual lease payments are as follows:

Years ending	$
September 30, 2023	133,827
September 30, 2024	138,843
September 30, 2025	143,859
September 30, 2026	145,949
September 30, 2027 and thereafter	1,374,351
Total lease payments	**1,936,828**
Remaining present value adjustment to be accreted over the lease term	(1,114,009)
Lease liability balance, September 30, 2022	**822,819**

8. 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 petroleum and natural gas properties:

	$
Balance, September 30, 2021 and 2020	**-**
Corporate transactions (Note 10)	149,335
Accretion expense	2,000
Change in decommissioning provision	47,690
Balance, September 30, 2022	**199,025**

The total undiscounted amount of the estimated cash flows required to settled its decommissioning obligations is $168,000 (2021 - $Nil), which is estimated to occur in five years.

At September 30, 2022, the estimated net present value of the obligation was calculated using a risk-free interest rate of 3.44% based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 6.90%.

9. LOANS PAYABLE

During the year ended September 30, 2021, HYTN entered into a promissory note agreement with 1306562 B.C. Ltd to receive funds for the purpose of pursuing its share exchange agreement with HYTN Innovations. Concurrently, HYTN Innovations signed a binding Letter of Intent with 1306562 B.C. Ltd. for HYTN Innovations to acquire all of the outstanding securities of 1306562 B.C. Ltd. in exchange for securities of HYTN Innovations. The promissory note for the sum of up to $2,500,000 is unsecured and accrues interest at 10% per annum payable along with the principal on the earlier of June 24, 2022 or the demand date.

In Canadian Dollars, unless noted

As a result of the Corporate Transactions, the total loan payable on February 17, 2022 of $2,405,000 (2021 - $1,730,000) and interest payable of $17,547 (2021 - $17,547), was eliminated upon consolidation. See Note 10 for additional information.

At September 30, 2022, the Company had a total of $64,398 (including interest of $3,480) owing to a third party as a result of the Corporate Transactions. The loan is unsecured and $37,800 of which accrues interest at 15% per annum and is due on demand.

10. CORPORATE TRANSACTIONS

a) Acquisition of HYTN Cannabis

On February 14, 2022, the Company entered into an agreement to acquire HYTN Cannabis, a private company headquartered in Kelowna, B.C., for a nominal acquisition price, consolidating legal ownership of the HYTN Cannabis Standard Processing License under the Company.

The acquisition was accounted for as an acquisition under common control accounting. The net assets acquired were as follows:

	$
Net assets acquired	
Cash	7,739
Prepaid expenses	2,996
Funds advanced from HYTN Beverage Corp.	(65,290)
Net assets acquired	**(54,555)**
Consideration - Cash	**100**
Equity contribution to HYTN Cannabis	**(54,655)**

As of September 30, 2021, HYTN had loaned $38,785 to HYTN Cannabis. The loan has no terms of repayment, and is non-interest bearing and unsecured and was consolidated from the date of acquisition.

b) HYTN Innovations Inc. and HYTN Beverage Corp. Reverse Take-Over

In connection with the SEA, the following transactions were completed:

i. The Company issued one common share in exchange for each issued and outstanding common share of HYTN, totalling 15,532,000 common shares;

ii. The Company issued 2,532,000 common share purchase warrants to former security holders of HYTN, with each such warrant exercisable to acquire one common share at a price of $0.50 per share until February 1, 2023;

   The Company issued an aggregate of 10,000,000 performance warrants (“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.

   One-half of the Performance Warrants will vest and become exercisable upon the Company achieving revenue of $5,000,000 over a 12-month period following closing of the RTO, with the remaining 50%

In Canadian Dollars, unless noted

vesting and becoming exercisable upon the Company achieving revenue of $8,000,000 over a 12-month period following closing of the RTO.

iii. The Company settled acquired debt in the amount of $1,782,474 through the issuance of 5,092,782 common shares at a price of $0.25 per share (the "Debt Settlement"), which was based on the most recent private placement of HYTN. The Debt Settlement resulted in a gain on debt settlement of $509,278.

As a result of the SEA, former holders of HYTN shares hold 15,532,000 common shares representing 85.3 percent, and holders of HYTN Innovation shares hold 2,666,136 shares representing 14.7 percent, of the Resulting Issuer. The shareholders of HYTN, therefore, control the Resulting Issuer upon completion of the SEA. The transaction was accounted for as a reverse acquisition, with HYTN identified as the acquirer. Consequently, the comparative figures reported are those of HTYN.

The fair value of the consideration was determined based on 2,666,136 common shares deemed to be issued by the accounting acquirer at the price of $0.25 per share, which as based on the most recent private placement, totaling $666,534.

The acquisition of HYTN Innovations has allocated as follows:

	$
Net assets acquired	
Cash	217
Accounts receivable	11,423
Prepaid expenses	5,000
Deposits(1)	76,840
Accounts payable and accrued liabilities	(322,951)
Loan payable(2)	(1,843,392)
Decommissioning provision(3)	(149,335)
Listing expense(4)	2,888,732
Net assets acquired	**666,534**
Consideration	
Fair value of 2,666,136 shares issued	**666,534**

Notes:
(1) The Company was required to remit deposits to the Alberta Energy Regulator to be used for the reclamation of well sites. Upon successful reclamation and receipt of reclamation certificates in accordance with Alberta's Environmental Protection and Enhancement Act, the Company may apply for release of its deposit funds. As at September 30, 2022, the Company had outstanding net deposits of $76,840 (2021 - $nil).
(2) The Company subsequently settled the loan payable through the issuance of 5,092,782 common shares at a fair value of $0.25 per share (the "Debt Settlement"). The Debt Settlement resulted in a gain on debt settlement of $509,278.
(3) The estimated net present value of the obligation was calculated using a risk-free interest rate of 1.69% based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 5.70%.
(4) The transaction costs, primarily relating to the acquired public exchange listing, were expensed.

c) Amalgamation

The acquisition of Numberco by Subco does not meet the definition of a business under IFRS 3, as both companies have no current substantive operations, and both companies' activities mainly involved managing its cash balances and filing obligations (hence have no substantive processes). As a result, the acquisition was accounted for as the purchase of Numberco's net assets by HYTN. The net purchase price was determined as an equity settled share-based payment, under IFRS 2 - Share-based Payments, at the fair value of the equity instruments based on the fair value of the common shares issued in the most current HYTN financing.

In connection with the amalgamation agreement, the following transactions were completed:

In Canadian Dollars, unless noted

i. The Company issued one common share in exchange for each issued and outstanding common share of Numberco totalling 38,968,919 common shares;

ii. The Company issued 24,984 common share purchase warrants to former security holders of NumberCo, with each such warrant exercisable to acquire one common share at a price of $0.50 per share until September 10, 2022;

The estimated fair value at February 17, 2022 of the assets and liabilities acquired is outlined in the table below:

	$
Net assets acquired	
Cash	2,400,171
Loan receivable - HYTN Beverage Corp.(1)	2,422,547
Promissory note receivable - HYTN Innovations Inc. (1)	181,746
Accounts payable and accrued liabilities	(19,282)
Transaction costs(2)	4,759,824
Net assets acquired	**9,745,006**
Consideration	
Fair value of 38,968,919 common shares issued	9,742,230
Fair value of 24,984 warrants issued(3)	2,776
Consideration	**9,745,006**

Notes:
(1) Amounts receivable are from companies involved in the Corporate Transactions. The amounts are eliminated upon consolidation.
(2) The deemed transaction costs, primarily relating to the acquired public exchange listing, were expensed.
(3) The fair value of warrants issued was determined using the following Black-Scholes Option Pricing Model assumptions: 1) Share price of $0.25; 2) Exercise price of $0.50; 3) Expected life of 0.6 year; 4) Volatility of 110%; and 5) Discount rate of 0.35%

11. 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, 2022 are 62,259,838 (September 30, 2021 - 15,352,000). As at September 30, 2022 a total of 7,220,075 common shares are in escrow.

Shares issued during the year ended September 30, 2022 were as follows:

	Description	Number of Shares	Amount ($)
Balance, September 30, 2020		**105,001**	**800,576**
November 26, 2020	Private placement	12,894,999	12,895
February 1, 2021	Private placement	2,532,000	633,000
Balance, September 30, 2021		**15,532,000**	**1,446,471**
February 17, 2022	Acquisition of HYTN Innovations	2,666,136	666,534
February 17, 2022	Amalgamation with NumberCo	38,968,919	9,742,230
February 17, 2022	Settlement of indebtedness	5,092,782	1,273,196
Balance, September 30, 2022		**62,259,837**	**13,128,431**

In Canadian Dollars, unless noted

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 ("PSUs") 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.

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

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2021 and 2020	**-**	**$ -**
Granted	1,990,000	0.35
Balance, September 30, 2022	**1,990,000**	**$0.35**

At September 30, 2022, the following options were outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
1,725,000	862,500	$0.35	February 17, 2026
265,000	132,500	$0.35	February 21, 2026
1,990,000	**995,000**		

At September 30, 2022, the weighted-average remaining life of the outstanding options was 3.39 years.

During the year ended September 30, 2022, the Company recognized $317,859 in share-based payment expense in connection with the granting and vesting of options (2021 – nil).

The fair value of options granted during the year ended September 30, 2022 was determined using the following range of Black-Scholes Option Pricing Model assumptions:

Share price on grant date	$0.25 - $0.39
Exercise price	$0.35
Expected life	4 years
Volatility*	100%
Risk-free interest rate	1.20% - 1.68%

**Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable startup companies*

c) Restricted Share Units

At September 30, 2022, the following restricted share units ("RSU's") were outstanding:

	RSUs
Balance, September 30, 2021 and 2020	**-**
Granted	1,900,000
Balance, September 30, 2022	**1,900,000**

During the year ended September 30, 2022, the Company granted the following RSUs, vesting quarterly over one year, with the first tranche vesting on May 17, 2022. Upon vesting, each RSU will be redeemable for one common share of the Company. The fair value of the RSUs was determined based on the Company's most recent private placement before the Company's share price was listed at $0.25/share.

In Canadian Dollars, unless noted

During the year ended September 30, 2022, the Company recognized $408,573 in stock-based compensation expense related to the granting and vesting of RSUs (2021 – nil). As the Company intends to settle the RSUs through equity settlement, a corresponding amount was credited to stock-based payment reserve. Subsequent to September 30, 2022, an additional quarter of RSUs vested.

d) Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2020	-	-
Issued	2,532,000	0.50
Balance, September 30, 2021	2,532,000	0.50
Granted – Corporate Transaction (Note 10)	24,984	0.50
Expired	(24,984)	0.50
Balance, September 30, 2022	**2,532,000**	**0.50**

At September 30, 2022, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,532,000	$0.50	February 1, 2023

At September 30, 2022, the weighted-average remaining life of the outstanding warrants was 0.34 years.

e) Performance Warrants

As discussed in Note 10(b), 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 ("PSU's")

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 as a result of a probability of nil associated with progress towards the related performance-based milestones.

The PSU's expire on May 31, 2023.

In Canadian Dollars, unless noted

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, 2022, 11,700,000 (2021 – Nil) common shares are restricted from resale with the next release on February 22, 2023.

16,865,334 securities are subject to the following hold periods: (i) 25% will be released on the Listing Date; (ii) 25% will be released on the date that is 6 months following the Listing Date; (iii) 25% will be released on the date that is 12 months following the Listing Date; and 25% will be released on the date that is 18 months following the Listing Date. As at September 30, 2022, 8,432,668 (2021 – Nil) common shares are restricted from resale with the next release on February 22, 2023.

2,500,000 securities are subject to a holding period and 100% of the shares will be released twelve months after the listing date. As at September 30, 2022, 2,500,000 (2021 – Nil) common shares are held in escrow with the next release on February 22, 2023.

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, 2022, 4,250,075 (2021 – Nil) common shares are restricted from resale with the next release on February 22, 2023.

12. 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. During the year ended September 30, 2022, all of the sales were to wholesalers (2021 – No sales).

For the Years Ended September 30,	**2022**	**2021**
	$	**$**
Cannabis – beverage sales	562,701	-
Cannabis – flower sales	132,401	-
Cannabis – edible sales	1,259	-
	696,361	-

During the year ended September 30, 2022, the Company has three (2021 – nil) customers who accounted for more than 10% of revenue from continuing operations and in aggregate accounted for approximately 94% (2021 - nil) of sales.

In Canadian Dollars, unless noted

13. INCOME TAXES

For the Years Ended September 30,	2022	2021
	$	$
Loss for the year	(10,273,665)	(870,631)
Tax rate	27%	27%
Expected income tax recovery	(2,773,900)	(235,100)
Non-deductible expenses and other	2,115,400	-
Capital losses expired	60,500	-
Change in unrecognized deductible temporary differences	598,000	235,100
Income tax expense	**-**	**-**

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

For the Years Ended September 30,	2022	2021
	$	$
Leases	107,000	-
Capital assets	215,000	-
Non-capital losses carried forward	4,071,000	1,354,000
Deductible temporary differences	**4,393,000**	**1,354,000**

The Company non-capital losses totaling approximately $4,071,000 (2021 – $1,354,000) available to reduce taxable income of future years. The non-capital losses expire as follows, which can be applied to reduce future taxable income, expiring as follows:

Year	Amount	Year of Expiry	Cumulative
	$		$
2022	1,490,000	2042	4,071,000
2021	2,009,000	2041	2,581,000
2020	278,000	2040	572,000
2019	294,000	2039	294,000

14. 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, 2022 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive	Equity Incentive Amount	Equity Incentive Fair Value	Transactions Incurred
			$	$
The CEO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	72,784	158,985 – Salaries & Payroll 42,209 – Rent included in office and miscellaneous
The COO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	72,784	180,099 – Salaries & Payroll
The CFO pursuant to officer services provided	Options, RSUs	300,000	51,280	60,000 - Consulting
A Director and Chair of the Company pursuant to director services provided	RSUs	1,000,000	215,038	30,068 - Consulting
A Director of the Company pursuant to director services provided	RSUs	200,000	43,008	18,041 - Consulting
A Director of the Company pursuant to director services provided	RSUs	200,000	43,008	18,041 - Consulting
Total		**12,500,000**	**497,902**	**507,443**

For the year ended September 30, 2021, the Company incurred $188,802 in management fees for CEO, COO and CFO services provided included in consulting and salaries and nil equity incentives.

As at September 30, 2022, $102,771 (2021 – $4,469) 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.

15. 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.

16. 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. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

ii. **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 is held in large Canadian financial institutions and its accounts receivable relates to third-party sales and GST receivable, which have no history of default so the credit risk is low.

iii. **Liquidity Risk**
Liquidity risk is the risk that the Company is not able to meet its financial obligations. At September 30, 2022, the Company's working capital surplus (deficiency) is $695,614 (September 30, 2021 - $(1,505,928)) and it does not have any long-term financial liabilities other than lease liabilities. The Company may 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.

iv. **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.

v. **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 results of the Company's operations are subject to 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. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

b) Fair Values

The carrying values of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, deposits, loans payables 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 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).

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

In Canadian Dollars, unless noted

17. SUPPLEMENTAL CASH FLOW INFORMATION

For the Years Ended September 30,	2022	2021
	$	$
Non-cash financing and investing activities		
Fair value of shares issued as consideration for the RTO	666,534	-
Fair value of shares issued as consideration for the Amalgamation	9,742,230	-
Fair value warrants issued as consideration for the Amalgamation	2,776	-
Shares issued to settle indebtedness	1,273,196	-
Acquisition of right-of-use asset	-	797,969
Equipment and leasehold improvements expenditures in accounts payable and accrued liabilities	-	56,488

18. SUBSEQUENT EVENTS

On December 1, 2022, a civil claim has been filed against the Company in the Ontario Superior Court of Justice for $52,500, any costs associated with this claim, and any other relief as determined by the Honourable Court deems just. There have been no penalties or sanctions imposed against the Company by a court or regulatory authority relating to the claim and the Company has not entered into any settlement agreements. The Company has assessed that the claims are unfounded and disputes such claims. Therefore, no amount has been accrued for.