

SIRE BIOSCIENCE INC.

(Formerly Blox Labs Inc.)

Consolidated Financial Statements

For the year ended September 30, 2019 and the period from incorporation
(February 6, 2018) to September 30, 2018

(Expressed in Canada Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sire Bioscience Inc. (Formerly Blox Labs Inc.)

Opinion

We have audited the consolidated financial statements of Sire Bioscience Inc. (Formerly Blox Labs Inc.), (the Company), which comprise the consolidated statement of financial position as at September 30, 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019, and results of its consolidated operations and its consolidated cash flows for the year then ended, in all material respects, 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 Company 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 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$6,396,107 during the year ended September 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 4 to the consolidated financial statements, which explains that certain comparative information for the period ended September 30, 2018 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the period ended September 30, 2018 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on February 15, 2019.

As part of our audit of the financial statements for the period ended September 30, 2019, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the period ended September 30, 2018. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the 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 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 Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 28, 2020
Toronto, Ontario

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	September 30, 2019	September 30, 2018
	(\$)	(\$)
		(Restated – Note 4)
ASSETS		
Current		
Cash	1,660,717	118
HST receivable	94,640	10,812
Prepaid expenses	55,992	-
Other receivable	-	4,698
TOTAL CURRENT ASSETS	1,811,349	15,628
Long-term		
Property, plant and equipment (Note 6)	5,827,819	5,765,572
TOTAL ASSETS	7,639,168	5,781,200
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	187,248	57,264
Loan payable (Note 7)	-	250,795
Current portion of secured loan (Note 8)	100,000	500,000
	287,248	808,059
Long-term		
Secured loan (Note 8)	4,735,751	4,067,342
TOTAL LIABILITIES	5,022,999	4,875,401
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	7,895,598	118
Contributed surplus (Note 10)	563,714	1,052,000
Warrants (Note 10)	699,283	-
Deficit	(6,542,426)	(146,319)
	2,616,169	905,799
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,639,168	5,781,200

Nature of Operations and Going Concern (Note 1)

Approved by: “Brian Polla”
Director

“Jerry Habuda”
Director

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

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Year Ended September 30, 2019	Period from Incorporation (February 6, 2018) to September 30, 2018
	(\$)	(\$)
		(Restated – Note 4)
EXPENSES		
Administration	81,229	7,992
Management fees	6,000	-
Marketing and promotion	133,098	19,235
Travel	55,689	-
Consulting and professional fees	1,284,968	3,000
Rent	2,110	
	1,563,094	30,227
Loss before other items	(1,563,094)	(30,227)
OTHER ITEMS		
Realized loss on investments	(37,380)	-
Interest income	3,723	-
Interest expense	(145,298)	-
Accreted interest expense (Note 8)	(533,999)	(116,092)
Listing expense – RTO Acquisition (Note 5)	(4,119,788)	-
Foreign exchange loss	(271)	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(6,396,107)	(146,319)
BASIC AND DILUTED LOSS PER SHARE	(0.04)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	144,335,872	118,000,000

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

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Number of Shares	Share Capital (\$)	Contributed Surplus (\$)	Warrants (\$)	Deficit (\$)	Total (\$)
Balance at February 6, 2018	-	-	-	-	-	-
Incorporation shares (Note 10(a))	118,000,000	118	-	-	-	118
SAFEs (Note 10(a))	-	-	-	1,052,000	-	1,052,000
Loss Comprehensive loss for the period	-	-	-	-	(146,319)	(146,319)
Balance at September 30, 2018 (Restated – Note 4)	118,000,000	118	-	1,052,000	(146,319)	905,799
SAFEs (Note 10(a))	-	-	-	385,000	-	385,000
Shares issued for services (Note 10(a))	55,450,000	1,109,000	-	-	-	1,109,000
Conversion of SAFEs (Note 10(a))	61,350,000	1,437,000	-	(1,437,000)	-	-
Best Cannabis Products Inc. shares cancelled in share exchange with shareholders in RTO (Note 10(a))	(234,800,000)	(2,546,118)	-	-	-	(2,546,118)
Shares issued in RTO (Note 10(a))	234,800,000	2,546,118	-	-	-	2,546,118
Shares issued and options deemed issued in RTO (Note 10(a)(b)(c))	117,498,997	2,953,313	563,714	699,283	-	4,216,310
Share issues in equity raise (Note 10(a))	47,923,330	2,396,167	-	-	-	2,396,167
Loss and comprehensive loss for the year	-	-	-	-	(6,396,107)	(6,396,107)
Balance at September 30, 2019	400,222,327	7,895,598	563,714	699,283	(6,542,426)	2,616,169

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

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

	Year Ended September 30, 2019 (\$)	Period from Incorporation (February 6, 2018) to September 30, 2018 (\$) (restated - Note 4)
OPERATING ACTIVITIES		
Loss for the year/period	(6,396,107)	(146,319)
Items not affecting cash:		
Finance expense	-	795
Accrued interest	134,410	-
Accretion interest expense	533,999	116,092
Shares issued for services	1,109,000	-
Listing expense	4,011,702	-
Changes in non-cash working capital items:		
HST receivable	(67,492)	(10,812)
Other receivable	4,698	(4,698)
Prepaid asset	(12,623)	-
Accounts payable and accrued liabilities	101,189	57,265
Cash flows (used in) provided by operating activities	(581,223)	12,322
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(62,247)	(6,614,322)
Sale of short term investments	140,976	-
Cash acquired from RTO	32,721	-
Cash flows provided by (used in) investing activities	111,450	(6,614,322)
FINANCING ACTIVITIES		
Shares issued for cash	2,396,167	118
Repayment of loan payable	(250,795)	250,000
Repayment of secured loan	(400,000)	(500,000)
Proceeds from secured loan	-	5,800,000
Proceeds from SAFEs	385,000	1,052,000
Cash flows provided by financing activities	2,130,372	6,602,118
CHANGE IN CASH	1,660,599	118
CASH, BEGINNING OF YEAR/PERIOD	118	-
CASH, END OF YEAR/PERIOD	1,660,717	118

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

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sire Bioscience Inc., (the “Company”) formerly Blox Labs Inc. (“Blox”) was incorporated on April 4, 2014 under the Business Corporations Act of British Columbia as Big Rock Labs Inc. and changed its name to Blox Labs Inc. on November 16, 2017. The Company owns 100% of Big Rock Technologies Inc. which was incorporated on February 13, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is located at Suite 206 - 213 Sterling Road; Toronto, Ontario M6R 2B2.

On August 28, 2019, the Company completed a transaction in which Blox acquired all of the issued and outstanding securities of Best Cannabis Products Inc. (“BCP”), a private Canadian company engaged in the hemp sector, in exchange for the issuance of 234,800,000 common shares of the Company. The transaction functioned as a reverse takeover (RTO) and resulted in a change of business for the Company.

BCP was incorporated on February 6, 2018 under the Canada Business Corporations Act. The Company’s head office is located at 7110 Torbram Rd, Mississauga, ON, L4T 4B5. BCP’s principal business activity is to engage in the investment, cultivation, production of and sale of various hemp and cannabis products including but not limited to CPG trademarked CBD based wellness products, oils, edibles and animal and pet related CBD products, upon making application and receiving the requisite licenses mandated under the Cannabis Act of Canada.

The Canadian Securities Exchange (the “CSE”) approved the RTO transaction on September 9, 2019. The Company also received approval to change its operating name to Sire Bioscience Inc. effective that same date. The Company is listed for trading on the CSE under the symbol “**SIRE.CN**” and on the Frankfurt stock exchange in Germany under the symbol “**BR1B**”.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended September 30, 2019, the Company incurred a net loss of \$6,396,107 (2018 – \$146,319) and had a working capital surplus of \$1,524,101 (deficit of \$792,431). The continued operations of the Company are dependent on its ability to generate future cash flows from revenues or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

1. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Committee (“IFRIC”).

The consolidated financial statements were authorized for issue by the Board of Directors on January 28, 2020.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3.

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

Basis of Consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. See Note 5 regarding the basis of consolidation subsequent to the RTO.

These consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries: Best Cannabis Products Inc., BCP Holdings and Investments Inc. and Big Rock Technologies Inc.

All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transaction have been eliminated on consolidation.

Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Significant estimates include:

- (i) Share-based payments and warrants.

Estimates include the inputs used in accounting for share-based payment transactions, including determining volatility.

Significant judgments are as follows:

- (i) Going concern

The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgment. Management closely monitors the operations and cash flows in the Company. Further information regarding going concern is outlined in Note 1.

- (ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

- (iii) Property, plant and equipment

The determination of when property, plant and equipment are available for use as well as their useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company adopted all of the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) as of June 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

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

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Impairment

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

As at September 30, 2019 and 2018, the Company does not have any derivative financial liabilities.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the classification categories for the Company's financial assets and liabilities.

Financial Assets	IAS 39	IFRS 9
Cash	Held-for-trading (FVTPL)	Amortized cost
Other receivable	Loans and receivable	Amortized cost
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)	Amortized cost
Loan Payable	Other financial liabilities (Amortized cost)	Amortized cost
Secured Loan	Other financial liabilities (Amortized cost)	Amortized cost

Share Capital

Common shares are classified as equity. Transaction and other incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. In situations where the Company issues units, the value of the units is bifurcated based on their relative fair values of the share and warrant value. The fair value of the warrant is determined by using the Black-Scholes pricing model. The value assigned to the warrant is included as a separate reserve of the Company's equity.

Share-based Payment Transactions

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amounts is recorded to option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

At each reporting period the carrying amounts of the Company's non-financial assets, are reviewed for indicators of impairment. If indicators exist, the recoverable amount of the asset is estimated. Property, plant and equipment are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of assessing impairment, property, plant and equipment are grouped into cash generating units ("CGUs") defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net income (loss) as an impairment expense. The recoverable amount is the greater of the value in use or fair value less costs of disposal ("FVLCD"). Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs of disposal considers the continued development of a property and market transactions in a valuation model. The Company uses the present value of the cash generating unit's estimated future cash flows in its fair value model. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in net income (loss). The recovery is limited to the original carrying amount less depreciation that would have been recorded had the asset not been impaired.

Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss by the weighted average number of shares outstanding during the year.

Diluted losses per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment comprise of a greenhouse which is being built for its intended use as of September 30, 2019, office equipment, furniture and fixtures, and tools required for creating a greenhouse capable of producing cannabis.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost include expenditures that are directly attributable to the creation or acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are or are to be located. Borrowing costs for qualifying assets that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

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 Company and the cost of the item can be measured reliably. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when incurred.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	Useful life
Computer equipment	20%, declining balance

The residual value, depreciation method and the useful life of each asset are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

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

Current income tax

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

Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- liabilities arising from initial recognition of goodwill for which amortization is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

SIRE BIOSCIENCE INC. (Formerly Blox Labs Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become mandatorily effective.

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

IFRS 16 is effective for the Company beginning on October 1, 2019. This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of income (loss) will be recognized on the statement of financial position. The Company has not yet assessed the potential impact of the application of this standard.

4. RESTATEMENT AND COMPARATIVE AMOUNTS

The consolidated financial statements have been reclassified, where applicable to conform to the presentation used in the current year.

The Company is restating its consolidated financial statements as at September 30, 2018. In the course of preparing the Company's consolidated financial statements for the year ended September 30, 2019, the following errors were identified:

- 1) The Company entered into a secured loan to acquire property, plant and equipment and the secured loan included a one year interest free period that has not been considered when determining the effective market interest rate on the loan. This error resulted in overstatement of property, plant and equipment, secured loan and an understatement of net income.
- 2) The Company has reclassified the secured loan as long term as there is a \$500,000 payment that is to be paid within six months of the closing of the transaction. This error resulted in the reclassification of \$500,000 of the secured loan to current liabilities.

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4. RESTATEMENT (continued)

- 3) In the consolidated cash flow statement, the Company has netted the proceeds of the secured loan against the acquisition of property, plant and equipment. This error resulted in the cash flows used by investing activities to be overstated by \$5,300,000 and the cash flows from financing activities to be understated by \$5,300,000.

These errors have been corrected by restating each of the affected consolidated financial statement line items in the comparative year.

The effects of the restatement on the September 30, 2018 consolidated financial statements are as follows:

	Previously reported	Adjustment	Reclassification	As restated
Consolidated Statement of financial position				
Property, plant and equipment	6,614,322	(848,750)	-	5,765,572
Current portion of secured loan	-	500,000	500,000	500,000
Secured loan	5,300,000	(1,232,658)	-	4,067,372
Deficit	(30,228)	(116,092)	-	(146,319)
Consolidated Statements of Loss and Comprehensive Loss				
General and administrative	5,599	-	2,394	7,992
Insurance	1,599	-	(1,599)	-
Finance costs	795	-	(795)	-
Accreted interest expense	-	116,092	-	116,092
Loss and comprehensive loss for the year/period	(30,228)	(116,092)	-	(146,319)
Consolidated Statements of Changes in Shareholders' Equity				
Loss comprehensive loss for the period	(30,228)	(116,092)	-	(146,319)
Consolidated Statements of Cash Flow				
Loss for the period	(30,228)	(116,092)	-	(146,319)
Accreted interest expense	-	116,092	-	116,092
Acquisition of property, plant and equipment	(1,314,322)	(5,300,000)	-	(6,614,322)
Repayment of secured loan	-	(500,000)	-	(500,000)
Proceeds from secured loan	-	5,800,000	-	5,800,000

An opening statement of financial position has not been presented as the Company was incorporated in 2018.

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5. REVERSE TAKEOVER TRANSACTION

On February 28, 2019, the Company entered into an agreement to acquire all of the issued and outstanding securities of BCP, in exchange for the issuance of 234,800,000 common shares of the Company. The transaction closed on August 28, 2019. The Company also changed its operating name from Blox Labs Inc. to Sire Bioscience Inc.

As a result of the transaction, 234,800,000 shares were held by previous shareholders of BCP and 117,498,997 share were held by shareholders of Blox. This resulted in BCP shareholders owning 66.6% of the Company, and consequently, obtaining control of Blox.

The substance of the transaction is a reverse takeover. The transaction does not constitute a business combination under IFRS 3, thus there is no goodwill recognized, and the difference between the consideration and fair value of the net assets acquired results in a listing expense.

BCP was identified as the acquirer for accounting purposes, and Blox, the legal parent, is the subsidiary for accounting purposes. Since BCP is the acquirer, its assets, liabilities and operations since incorporation are consolidated, and since Blox is the subsidiary, its operations have only been consolidated since the date of the reverse takeover.

A calculation of the listing expense is a follows:

Fair value of 117,498,997 shares of Blox deemed to be issued	2,953,313
Fair value of 22,572,000 warrants of Blox deemed to be issued	699,283
Fair value of 11,380,000 options of Blox deemed to be issued	563,714
Transaction costs	108,086
Fair value of net assets, including cash of \$32,721	(204,608)
<u>Listing expense</u>	<u>4,119,788</u>

The fair value of the Blox shares was based on what BCP would have paid to acquire 100% of Blox.

The fair value of warrants assumed in the transaction was determined to be \$699,283 and valued using the Black-Scholes option pricing model under the following assumptions:

	October 9, 2015	November 17, 2017
Risk-free interest rate	1.72%	1.72%
Expected volatility ¹	245%	259%
Dividend yield	Nil	Nil
Expected life	0.75 years	0.3 years
Exercise price	\$0.17	\$0.03
Share price	\$0.05	\$0.05

¹ Expected volatility is based on historical volatility.

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5. REVERSE TAKEOVER TRANSACTION

The fair value of options assumed in the transaction was determined to be \$563,714 and valued using the Black-Scholes option pricing model under the following assumptions:

	May 25, 2018	October 17, 2018
Risk-free interest rate	1.60%	1.60%
Expected volatility ¹	267%	254%
Dividend yield	Nil	Nil
Expected life	3.7 years	4.1 years
Exercise price	\$0.04	\$0.06
Share price	\$0.05	\$0.05

¹ Expected volatility is based on historical volatility.

6. PROPERTY, PLANT AND EQUIPMENT

	Land (\$)	Building (\$)	Computer Equipment (\$)	Total (\$)
Cost				
As at February 6, 2018	-	-	-	-
Additions	1,301,074	4,464,498	-	5,765,572
At September 30, 2018 (Restated – Note 4)	1,301,074	4,464,498	-	5,765,572
Additions	-	60,202	2,045	62,247
At September 30, 2019	1,301,074	4,524,700	2,045	5,827,819

The Company entered into a purchase and sale agreement (“PSA”) on April 12, 2018 to purchase land and a greenhouse in Leamington, Ontario for total proceeds of \$6,400,000. The proceeds are payable as follows:

- \$200,000 in cash on acceptance (Paid);
- \$400,000 in cash on July 13, 2018 (the “Completion date”) (Paid);
- \$5,800,000 pursuant to a secured loan under a vendor take back arrangement (Note 8).

The purchase price for the assets acquired under the PSA have been allocated pursuant to their relative fair values as at the date of acquisition.

As at September 30, 2019 no amortization was recognized as the property, plant and equipment were not available for use in the manner intended by management.

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7. LOAN PAYABLE

AGRA Loan

On September 1, 2018, the Company borrowed \$250,000 under an unsecured loan with AgraFlora Organics International Inc. that bears interest at 4% per annum and was repayable on or before September 1, 2019.

During the year ended September 30, 2019, the Company repaid the loan principal and all interest outstanding and the Company incurred \$10,413 in interest expense. At September 30, 2019, a total of \$Nil of loan principal and interest was outstanding.

8. SECURED LOAN

On July 13, 2018, the Company entered into a secured loan agreement for \$5,800,000 as part of a vendor take back arrangement in connection with the acquisition of land and a greenhouse in Leamington, Ontario (Note 4). The loan, which is secured by the land and greenhouse assets, bears no interest until the Vendor fully vacates the premises and then at a rate of 12.5% for three years. Principal payments of \$500,000 are due August 13, 2018 and December 13, 2018, and the balance of the loan principal is due on July 13, 2021. Interest is repayable in monthly installments beginning in year two. Due to the interest-free period, the loan is initially recognized at \$4,951,250 which represents the present value of future repayments using a market interest rate of 13%. The effective interest rate on the loan is 14.7%. The principle amount outstanding as at September 30, 2020 is \$4,900,000 (2018 - \$5,300,000).

	2019	2018
	(\$)	(\$)
		Restated – Note 4
Beginning principal amount	5,300,000	5,800,000
Discount	(732,658)	(848,750)
Repayments during the year/period	(400,000)	(500,000)
Accrued interest	134,410	-
Accreted interest	533,999	116,092
Current portion	(100,000)	(500,000)
	4,735,751	4,067,342

Subsequent to year end, in October 2019, the Company paid the remaining \$100,000 that was due on December 13, 2018.

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9. RELATED PARTY TRANSACTIONS

Key management personnel included the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), and directors and officers and companies controlled or significantly influenced by them.

During the period from the RTO transaction to September 30, 2019, the following amounts were paid key management personnel, CEO \$76,000 and CFO \$31,000. \$15,000 was accrued for fees for a director’s services.

As at September 30, 2019, a total of \$100,450 (September 30, 2018 - \$5,878) was included in accounts payable and accrued liabilities owing to a director (CEO of BCP) and other board members of the Company for reimbursable expenses. These liabilities are non-interest bearing and payable on demand.

As at September 30, 2019, a total of \$Nil (September 30, 2018 - \$4,698) was owing from a corporation controlled by a director of the Company for a non-interest bearing cash advance that is repayable on demand.

10. Equity Instruments

a) Share Capital

Authorized:

Unlimited number of Common shares without par value.

Unlimited number of Preferred shares without par value.

Issued: 400,222,327 common shares

On August 28, 2019 the Company completed a transaction with BCP pursuant wherein Blox acquired all of the issued and outstanding securities of BCP in exchange for the issuance of 234,800,000 common shares of the Company. In connection with the agreement, the Company announced a non-brokered private placement wherein it issued 47,923,330 common shares at \$0.05 per share for gross proceeds of \$2,396,167.

The Company issued 55,450,000 common shares at \$0.02 per share to various consultants for services provided.

In 2018 and 2019, the Company entered into SAFE Agreements for proceeds totaling of \$1,437,000. Under the SAFE Agreements the Company is required to issue common shares of the Company upon the occurrence of certain events including a RTO. Triggered by the RTO transactions, the SAFE Agreements in the amount of \$1,437,000 were converted to 61,350,000 common shares of BCP.

The Company issued 118,000,000 common shares on incorporation for proceeds of \$118.

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10. Equity Instruments (continued)

b) Stock option plan and stock-based compensation

Under the Company's current Stock Option Plan (the "Plan"), the Company may grant stock options to the Company's directors, officers, employees and consultants, or a corporation wholly owned by such directors, officers, employees and consultants. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares, which was 400,222,327 as at September 30, 2019. The exercise price of options granted is subject to a minimum price of \$0.10 per share and must meet or exceed the closing market price of the shares on the trading day immediately preceding the grant of the option.

The continuity of the Company's stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, February 6, 2018 and September 30, 2018	-	-
Deemed issuance (see Note 5)	11,380,000	0.05
Cancelled	(500,000)	0.06
Balance, September 30, 2019	10,880,000	0.05

The following table summarizes the stock options outstanding and exercisable as at September 30, 2019:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Expiry Date	Remaining Contractual Life (yrs)
7,290,000	7,290,000	0.04	May 25, 2023	3.74
3,590,000	3,590,000	0.06	October 17, 2023	4.14

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10. Equity Instruments (continued)

c) Warrants

The continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 6, 2018 and September 30, 2018	-	-
Deemed issuance (see Note 5)	22,572,000	0.05
Balance, September 30, 2019	22,572,000	0.05

The following table summarizes the share purchase warrants outstanding as at September 30, 2019:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
2,250,000	0.17	October 9, 2020	1.12
20,322,000	0.03	November 27, 2019	0.25
22,572,000	0.04		0.34

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11. CAPITAL MANAGEMENT

The Company considers its capital resources to be the shareholders' equity, comprising share capital, contributed surplus, warrants, and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its cannabis business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is primarily dependent on external financing to fund its activities. In order to carry out the planned property development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, other receivable, accounts payable and accrued liabilities, loans payable and secured loan.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value of cash, other receivable, accounts payable and accrued liabilities and loans payable approximate their book values because of the short-term nature of these instruments. The fair value of the secured loan approximates its carrying value as it is recorded at market rates.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

The Company's credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk and is mitigated because the counterparties are highly rated banks.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company is not exposed to interest rate risk. The Company does not have significant variable interest bearing assets or liabilities that are tied into market rates.

Liquidity risk

The Company's approach to managing liquidity risk is to have sufficient liquid capital to meet its current liabilities as they come due. At September 30, 2019, the Company had a working capital surplus of \$1,524,101 (September 30, 2018 - \$(792,431)).

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13. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of the combined income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2019	2018
	(\$)	(\$)
Loss for the period	(6,396,107)	(146,319)
Expected income tax expense (recovery) at 26.5%	(1,694,968)	(38,775)
Non-deductible expenditures	1,213,733	(194,154)
Loss carry-forwards acquired in RTO	(625,764)	-
Change in unrecognized deductible temporary differences	1,106,999	232,929
Income tax expense	-	-

b) Deferred Income Taxes

The Company's deferred income tax assets are valued using the future income tax rate of 26.5% (2018 – 26.5%), which is the effective rate when they are expected to be realized and are as follows:

	2019	2018
	(\$)	(\$)
Loss carry-forwards	1,115,009	8,010
Property, plant and equipment	224,919	224,919
Deferred tax assets not recognized	(1,339,928)	(232,929)
Net deferred tax assets	-	-

c) Loss Carry Forwards

As at September 30, 2019, the Company's unused tax losses for which no deferred tax asset is recognized totals \$4,207,582. These losses expire as follows:

2034	15,394
2035	208,790
2036	165,701
2037	139,960
2038	562,576
2039	3,115,161
	4,207,582

Tax attributes are subject to review, and potential adjustment, by tax authorities.