

SIRE BIOSCIENCE INC.

Consolidated Financial Statements

For the years ended September 30, 2020 and September 30, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sire Bioscience Inc.

Opinion

We have audited the consolidated financial statements of Sire Bioscience Inc. and its subsidiaries, (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity 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 Company as at September 30, 2020 and 2019, 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 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 \$2,073,561 during the year ended September 30, 2020 and, as of that date, the Company had a working capital deficit of \$5,609,877. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other 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 when it becomes available 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 Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is 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 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 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 Jakovic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
February 19, 2021
Toronto, Ontario

SIRE BIOSCIENCE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	September 30, 2020	September 30, 2019
	(\$)	(\$)
ASSETS		
Current		
Cash	77,280	1,660,717
HST receivables	128,893	94,640
Trade receivables	105,242	-
Prepaid expenses	44,053	55,992
Inventory (Note 5)	123,939	-
TOTAL CURRENT ASSETS	479,407	1,811,349
Long-term		
Property, plant and equipment (Note 7)	6,230,794	5,827,819
Right of Use – asset (Note 6)	54,022	-
Intangible assets (Note 11)	326,792	-
Goodwill (Note 11)	91,545	-
TOTAL LONG TERM ASSETS	6,702,153	5,827,819
TOTAL ASSETS	7,182,560	7,639,168
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	658,368	187,248
Due to shareholder (Note 10)	25,000	-
Lease liability (Note 6)	22,588	-
Current portion of secured loan (Notes 9,17 (c))	5,383,328	100,000
	6,089,284	287,248
Long-term		
Secured loan (Note 9)	-	4,735,751
Lease liability (Note 6)	30,533	-
Royalty agreement liability (Note 11)	238,520	-
Deferred tax liability (Note 15)	90,365	-
Total long term liabilities	359,418	4,735,751
TOTAL LIABILITIES	6,448,702	5,022,999
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	7,939,303	7,895,598
Contributed surplus (Note 12)	711,259	563,714
Warrants (Note 12)	75,097	699,283
Deficit	(7,991,801)	(6,542,426)
	733,858	2,616,169
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,182,560	7,639,168

Nature of Operations and Going Concern (Note 1)

Subsequent events (Note 17)

Approved by: “Brian Polla”
Director

“Brian Nugent”
Director

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

SIRE BIOSCIENCE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Year Ended September 30, 2020	Year Ended September 30, 2019
	(\$)	(\$)
Sales	492,128	-
Cost of Goods Sold	(397,594)	-
Gross profit	94,534	-
EXPENSES		
Administration	129,513	81,229
Amortization	33,188	-
Management fees	799,419	6,000
Marketing and promotion	134,099	133,098
Travel	37,910	55,689
Consulting and professional fees	150,304	1,284,968
Share based compensation (Notes 12 b & c)	147,545	-
Rent	8,284	2,110
Operating expenses	1,440,262	1,563,094
Operating loss	(1,345,728)	(1,563,094)
Realized loss on investments	-	(37,380)
Interest income	17,465	3,723
Interest expense	(597,721)	(145,298)
Accreted interest (Note 9)	(147,577)	(533,999)
Listing expense – RTO Acquisition (Note 4)	-	(4,119,788)
Foreign exchange loss	-	(271)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(2,073,561)	(6,396,107)
BASIC AND DILUTED LOSS PER SHARE	(0.05)	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	41,240,876	14,433,587

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

SIRE BIOSCIENCE INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Number of Shares ⁽¹⁾	Share Capital (\$)	Contributed Surplus (\$)	Warrants (\$)	Deficit (\$)	Total (\$)
Balance at September 30, 2018	11,800,000	118	-	1,052,000	(146,319)	1,021,891
SAFEs (Note 12)	-	-	-	385,000	-	385,000
Shares issued for services (Note 12)	5,545,000	1,109,000	-	-	-	1,109,000
Conversion of SAFEs (Note 12)	6,135,000	1,437,000	-	(1,437,000)	-	-
Best Cannabis Products Inc. shares cancelled in share exchange with shareholders in RTO (Note 12)	(23,480,000)	(2,546,118)	-	-	-	(2,546,118)
Shares issued in RTO (Note 12)	23,480,000	2,546,118	-	-	-	2,546,118
Shares issued and options deemed issued in RTO (Note 12)	11,749,899	2,953,313	563,714	699,283	-	4,216,310
Share issues in equity raise	4,792,333	2,396,167	-	-	-	2,396,167
Loss and comprehensive loss for the year	-	-	-	-	(6,396,107)	(6,396,107)
Balance at September 30, 2019	40,022,233	7,895,598	563,714	699,283	(6,542,426)	2,616,169
Shares issued on acquisition of Fusion Nutrition Inc. (Note 11)	291,364	43,705	-	-	-	43,705
Share based compensation (Note 12)	2,100,000		147,545			147,545
Expiry of warrants				(624,186)	624,186	-
Loss and comprehensive loss for the year					(2,073,561)	(2,073,561)
Balance at September 30, 2020	42,413,597	7,939,303	711,259	75,097	(7,991,801)	733,858

⁽¹⁾ The number of the Company's shares have been retrospectively restated for all periods to reflect the share consolidation which took place subsequent to the Company's year-end. See Note 17 (a).

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

SIRE BIOSCIENCE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year Ended September 30, 2020 (\$)	Year Ended September 30, 2019 (\$)
OPERATING ACTIVITIES		
Loss for the year	(2,073,561)	(6,396,107)
Items not affecting cash:		
Accrued Interest	500,000	134,410
Accretion Interest Expense	147,287	533,999
Shares issued for services	-	1,109,000
Listing expense	-	4,011,702
Amortization	33,188	-
Share based compensation	147,545	-
Changes in non-cash working capital items:		
HST receivable	(34,253)	(67,492)
Trade receivable	(63,229)	
Other receivable		4,698
Inventory	(291)	-
Prepaid expenses	12,139	(12,623)
Accounts payable and accrued liabilities	266,128	101,189
Cash flows used in operating activities	(1,065,047)	(581,223)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(397,344)	(62,247)
Sale of short term investments		140,976
Cash acquired from RTO		32,721
Cash flows (used in) provided by investing activities	(397,344)	111,450
FINANCING ACTIVITIES		
Shares issued for cash	-	2,396,167
Repayment of loan payable	-	(250,795)
Repayment of secured loan	(100,000)	(400,000)
Proceeds from SAFEs	-	385,000
Repayment of lease	(16,046)	-
Proceeds from shareholder loan	(5,000)	
Cash flows (used in) provided by financing activities	(121,046)	2,130,372
CHANGE IN CASH	(1,583,437)	1,660,599
CASH, BEGINNING OF YEAR	1,660,717	118
CASH, END OF YEAR	77,280	1,660,717

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

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(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 2500 Meadowpine Blvd. Ste 202, Mississauga, Ontario L5N 6C4.

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 2500 Meadowpine Blvd. Ste 202, 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**”.

On May 3, 2020, the Company completed the acquisition of Fusion Nutrition Inc. See Note 11.

The Company has been closely monitoring developments related to COVID-19, including the existing and potential impact on global and local economies. The Company has implemented its business continuity plan ensuring minimal interruption to the business. Governments worldwide have since put in place various measures to contain the spread of the virus, which have directly and indirectly impacted many businesses. The COVID-19 pandemic did not have any significant impact on the Company's financial statements during the reporting period. The longer-term impacts of the COVID-19 situation will depend on future developments which are highly uncertain, rapidly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which the Company continues to monitor and take into consideration.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

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, 2020, the Company incurred a net loss of \$2,073,561 (2019 – \$6,396,107) and had a working capital deficit of \$5,609,877 (2019 surplus of \$1,524,101). Subsequent to year end, the Company reached a settlement agreement with the holder of the vendor takeback mortgage of its Leamington property in which the property will be transferred back to the vendor for \$300,000 in cash and \$50,000 in shares of the Company to settle the \$5,383,328 amount owing plus additional accrued interest to the settlement date. See Note 17(c). As a result, the Company will focus on executing its business plan to grow in the nutraceutical market. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Subsequent to year end, the Company has closed a private placement for gross proceeds of \$1,450,000. See Note 17(b). Management is of the opinion that based on current forecasts for the nutraceutical business, these proceeds will provide sufficient funds to meet the Company's liabilities and commitments as they become due, though there is a risk that additional funds may be required if the forecasts are not met and that financing may 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.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company for the year ended September 30, 2020 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 February 19, 2021.

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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

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 4 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., Big Rock Technologies Inc., and Fusion Nutrition 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.

Significant estimates and judgements include:

(i) Share-based payments and warrants

Management utilizes option pricing models to determine the fair value of share-based payments and warrants which requires inputs of assumptions including volatility of the Company's stock price.

(ii) Business combination

In a business combination, a significant area of judgement and estimation relates to the determination of the fair value of assets and liabilities acquired including any intangible assets and goodwill identified. Further information regarding these judgements and estimates are outlined in Notes 4 and 11.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

(iii) 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.

(iv) 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.

(v) Property, plant, equipment and intangible assets

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

(vi) Non-financial asset impairment

Management exercises judgement to evaluate the carrying value of property, plant and equipment and intangible assets at the end of each reporting period to determine whether there is an indication of asset impairment. If any such indication exists, the Company estimates the recoverable amount of the asset to determine if an asset is impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenues are recognized when control of the products has transferred to the customer, being when the products are shipped by the Company's shipping service provider. The customer takes control of the goods, has full discretion over the use of the products and there are no unfulfilled obligations by the Company that could affect the customer's acceptance of the products. The Company's sales and performance obligations occur at the point of shipping so revenues are recorded at that point in time. The Company derives all of its revenue in Canada via sales of supplements products under its Fusion brand name. The majority of its sales are to wholesale customers but the Company does maintain a direct-to-consumer sales website. General terms for sales vary from prepaid to net 30 on a customer by customer basis. The Company assesses the recoverability of the each of its accounts on a regular basis. Sales for the period ended September 30 from the date of acquisition of Fusion (May 3, 2020) are as follows:

Product Sales - \$492,128.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first in first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable costs.

Financial Instruments

The following is the Company's 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

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. For 2020, no expected credit losses have been recorded by the Company as all trade receivables are expected to be collected and are not significant.

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, accrued liabilities, due to shareholder, lease liability and royalty agreement liability are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As at September 30, 2020 and 2019, the Company does not have any derivative financial liabilities.

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

Financial Assets	IFRS 9
Cash	Amortized cost.
Trade receivable	Amortized cost.
Financial Liabilities	IFRS 9
Accounts payable and accrued liabilities	Amortized cost.
Loan Payable	Amortized cost
Due to shareholder	Amortized cost.
Lease liability	Amortized cost.
Royalty liability	Amortized cost.
Secured Loan	Amortized cost

IFRS 16 Leases

The following is the Company's new accounting policy for leases under IFRS 16:

The Company has adopted IFRS 16 from October 1, 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. According to IFRS 16, a contract is a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right -of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information which continues to be reported under IAS 17, Leases. On transition to IFRS 16, the Company has elected to apply the recognition exemption for short-term leases that have a term less than 12 months. As a result of using the practical expedients as allowed within the standard, there was no impact to the opening retained earnings upon adoption.

Share Loans

As identified in Note 12, the Company entered into three separate loan agreements with related parties. Recourse on these loans is restricted to the shares pledged as collateral. As such, the Company records the transaction as a grant of options.

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 warrants 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.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

Property, Plant and Equipment

Property, plant and equipment comprise of a greenhouse which is being built for its intended use as of September 30, 2020, 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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Furniture and fixtures	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.

Intangible Asset

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in useful life are accounted for prospectively by changing the amortization method or period.

The Company amortizes brands over a straight line period of ten years.

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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination the non-controlling interest in the acquiree is measured at the fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be measured by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in the profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (1) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

4. REVERSE TAKEOVER TRANSACTION

On February 28, 2019, 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 shares 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 as 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)
Listing expense	4,119,788

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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

4. REVERSE TAKEOVER TRANSACTION (Continued)

As at September 30, 2020, 20,322,000 warrants had expired – see Note 12.

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.

During the year ended September 30, 2020, 11,090,000 options held in the original entity (Blox) were cancelled by the Company. See Note 12.

5. INVENTORIES

As at September 30, 2020, there were no valuation allowances against inventory.

During the period May 4, 2020 to September 30, 2020, inventory valued at \$308,594 was expensed as product cost of sales. There were no product write-downs of inventory during this period.

Inventory at September 30, 2020 consisted of the following:

Finished goods - \$123,939

6. IFRS 16 Leases

On February 1, 2020, the Company entered into a three year lease agreement for its head offices. The Company has the right to renew the lease for an additional three year term prior to the lease termination subject to certain provisions incorporated in the lease.

RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right of Use Asset	2020
	\$
Beginning Balance	-
Addition	69,457
Less: accumulated amortization	(15,435)
Total carrying value-September 30, 2020	54,022

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

6. IFRS 16 Leases (continued)

Lease liability	2020
	\$
Beginning Balance	-
Addition	69,457
Less: lease payments	(16,046)
Finance expenses	(290)
Total lease liability	53,121
Less: current portion	(22,588)
	30,533

Lease commitments-undiscounted cash flow:	2020
	\$
Future lease payments	93,224
Additional rent payments not recognized under IFRS 16	(31,742)
Finance charges	(8,361)
Total liability	53,121

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Computer Equipment	Furniture & Fixtures	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Cost					
As at February 6, 2018	-	-	-	-	-
Additions	1,301,074	4,464,498	-	-	5,765,572
At September 30, 2018	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
Additions	-	380,037	1,737	24,746	406,520
Amortization	-	-	(1,135)	(2,410)	(3,545)
At September 30, 2020	1,301,074	4,904,737	2,647	22,336	6,230,794

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 9).

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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, 2020 amortization totaling \$3,545 (2019-Nil) was recognized on computer equipment, furniture and fixtures and included in amortization expenses. No amortization on the land and building was recognized as these assets were not available for use in the manner intended by management.

8. 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.

9. 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%. As at September 30, 2020 the Company is in arrears on its interest payments to the Vendor in the amount of \$634,410. Subsequent to year-end, the Company settled its debt with the Vendor and transferred the property back to the Vendor. See Note 17 (b).

	September 30, 2020	September 30, 2019
	(\$)	(\$)
Beginning principal amount	4,900,000	5,300,000
Discount	(732,658)	(732,658)
Repayments during the year	(200,000)	(400,000)
Accrued interest	734,410	134,410
Accreted interest	681,576	533,999
Current portion	(5,383,328)	(100,000)
	-	4,735,751

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

10. 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 year ended September 30, 2020, the following amounts were paid to key management personnel, CEO \$235,000 and CFO \$240,000. \$165,000 was paid to the Director of Marketing.

As at September 30, 2020, a total of \$78,774 (September 30, 2019 - \$100,450) was included in accounts payable and accrued liabilities owing to the CEO, \$79,382 was owing to the CFO and \$54,203 was owing to the Director of Marketing for advances, expenses and services rendered. Other board members of the Company were owed \$8,002 for services rendered. These liabilities are non-interest bearing and payable on demand.

As at September 30, 2020, a total of \$25,000 (September 30, 2019- \$Nil) was owing from a corporation to the CEO of the Company for a non-interest bearing cash advance that is repayable on demand.

As at March 23, 2020, the Company entered into loan agreements with each of 1610896 Ontario Inc., a company controlled by CFO, Natural Lines Inc., a company controlled by a director of the board of Sire and Layton Hipfner, the Master Grower of Sire Bioscience. Please see note 12 (c) for more details.

11. Acquisition of Fusion Nutrition Inc.

On May 3, 2020, the Company completed its acquisition of Fusion Nutrition Inc. (Fusion), a Canadian based supplement company with national distribution which hosts 12 brands. This transaction will accelerate the Company’s speed to market in the nutraceutical space taking advantage of Fusion’s sales channels with 800 points of distribution as well as strong brand recognition in the marketplace. The Company believes this transaction will allow it to launch more relevant and highly customized products at a faster pace. Fusion customers include but are not limited to Popeye’s Supplements, Sport Chek, Supplement King, GNC and Herc’s Nutrition. The transaction was effected by issuing 291,364 common shares (the consideration shares) of the Company at a value of \$0.05 per share (CSE required no value under \$0.05). According to the terms of the agreement, the consideration shares are held in escrow and are to be distributed as follows: i) upon satisfaction of certain terms in the agreement 50% on the six (6) month anniversary of the closing transaction ii) remaining consideration shares are to be released on the nine (9) and twelve (12) month anniversary in equal portions.

The Company has determined that the operations of Fusion represent a business and as such, the acquisition has been accounted for as a business combination. The Company has finalized the purchase price allocation, which was previously reported as provisional, and it has been allocated to the following identified assets and liabilities based on their estimated fair values.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

11. Acquisition of Fusion Nutrition Inc. (continued)

Fair Value of Net Assets acquired on May 3, 2020:	
	\$
Accounts receivable	42,013
Inventories	123,648
Prepaid assets	200
Equipment	9,176
Intangible assets	341,000
Goodwill	91,545
Bank indebtedness	(55,070)
Accounts payable and accruals	(149,922)
Royalty agreement liability	(238,520)
Due to shareholder	(30,000)
Deferred tax liability	(90,365)
	<u>43,705</u>
Fair Value of consideration	
Common shares of Sire Bioscience	<u>43,705</u>

Significant assumptions used by the Company in determining the value of Fusion's brand list (intangible asset) included forecasted revenue and operating income and a weighted average cost of capital of 27% which was used as the discount rate given the current financial position of Fusion.

The fair value of receivables acquired of \$42,013 and the full amount of the receivable is expected to be collected. All other items on the balance sheet were deemed to be at fair market value at the date of acquisition. Though the transaction was agreed to at \$0.50 per share, the actual trading value of Sire shares as of the date of acquisition were \$0.15 per share which resulted in the fair value of \$43,705.

As part of the acquisition, the Company negotiated a ten-year royalty and licensing agreement with Acenzia Inc. a supplier of Fusion. Fusion had an outstanding liability of \$238,520 with Acenzia. Rather than payout this liability, the Company and Acenzia came to terms on a royalty and licensing agreement whereby Acenzia has the right to sell Fusion products to a select number of countries in the Middle East. Royalty amounts due under the agreement will be applied to the outstanding balance owed at the date of acquisition for a period of three years at which point the Company has discretion to pay out any outstanding balance or continue to apply royalties due against said sum. Once paid out in full, the Company will receive license and royalty fees to the end of the agreement.

Amortization of \$14,208 has been recorded on the intangible asset in the year.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

12. Equity Instruments

a) Share Capital

Authorized:

Unlimited number of Common shares without par value.

Unlimited number of Preferred shares without par value.

Issued: 42,413,597 common shares – subsequent to the year-end, the Company performed a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation shares for every ten (10) pre-consolidation common shares. See Note 17(a).

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 5,545,000 common shares at \$0.20 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 6,135,000 common shares of BCP.

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

On May 3, 2020, the Company issued 291,364 common shares of the Company at a value of \$0.50 per share to acquire 100% of the issued and outstanding shares of Fusion Nutrition Inc. Upon satisfaction of certain terms in the agreement, the shares will be released in three allotments; 50% of the shares on the six (6) month anniversary of the closing transaction and the remaining shares to be released on the ninth (9) and twelve (12) month anniversaries in equal amounts.

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 42,413,597 as at September 30, 2020. The exercise price of options granted is subject to a minimum price of \$0.20 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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

12. Equity Instruments (continued)

b) Stock option plan and stock-based compensation (continued)

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 4)	1,138,000	0.50
Cancelled	(50,000)	0.60
Balance, September 30, 2019	1,088,000	0.50
Expired Options	(453,000)	0.50
Cancelled Options	(505,000)	0.40
Issuance	2,770,000	0.20
Balance, September 30, 2020	2,900,000	0.20

The following table summarizes the stock options outstanding and exercisable as at September 30, 2020:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Expiry Date	Remaining Contractual Life (yrs)
75,000	75,000	0.40	May 25, 2023	2.65
55,000	55,000	0.60	October 17, 2023	3.05
2,770,000*	461,667	0.20	March 30, 2025	4.50

*Options granted hereby shall become vested and can be exercised in accordance with the plan, and for greater certainty as follows: 1/36 of each such Option granted shall vest and become exercisable on a cumulative monthly basis commencing on the date that the Option is granted, for a period of three years until all such Options have become fully vested.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

12. Equity Instruments (continued)

b) Stock option plan and stock-based compensation (continued)

The fair value of these options were determined using the Black-Scholes option pricing model under the following assumptions:

	March 30, 2020
Risk-free interest rate	.78%
Expected volatility ¹	244%
Dividend yield	Nil
Expected life	5.0 years
Exercise price	\$0.20
Share price	\$0.20
Fair value of options	\$293,175

¹Expected volatility is expected on historical volatility.

During the year ended September 30, 2020, the Company recognized share based compensation costs totaling \$91,254 in relation to this option grant.

c) Share loans

As at March 23, 2020, the Company entered into loan agreements with each of 1610896 Ontario Inc., a company controlled by Domenic Crudo the CFO, Natural Lines Inc., a company controlled by Michael Lines an advisor board member to Sire and Layton Hipfner, the Master Grower of Sire Bioscience. The principal sum for each loan is \$350,000 and the Company has agreed to issue up to 700,000 common shares of the Company at a deemed price of \$0.50 per share to each debtor. The loans are repayable over four (4) years and bear interest at 2%. Recourse on the loan is restricted to the shares as pledged collateral. As such, the Company records the transaction as a grant of options. The fair value of options assumed in the transaction was determined to be \$293,175 and valued using the Black-Scholes option pricing model under the following assumptions:

	March 23, 2020
Risk-free interest rate	.78%
Expected volatility ¹	132%-265%
Dividend yield	Nil
Expected life	4.0 years
Exercise price	\$0.50
Share price	\$0.50

¹ Expected volatility is based on historical volatility.

During the year ended September 30, 2020, the Company recognized \$56,291 as share based compensation with respect to these loans.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

12. Equity Instruments (continued)

d) 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 (from RTO)	2,257,200	0.50
Balance, September 30, 2019	2,257,200	0.50
Expired November 27, 2019	(2,032,200)	
Balance, September 30, 2020	225,000	0.60

The following table summarizes the share purchase warrants outstanding as at September 30, 2020:

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
225,000	0.60	October 9, 2020	0.08

13. 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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

13. CAPITAL MANAGEMENT (continued)

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, 2020. The Company is not subject to externally imposed capital requirements.

14. 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, trade receivable, accounts payable and accrued liabilities, due to shareholder, lease liability, royalty liability, loans payable and secured loan.

The fair value of cash, trade receivable, accounts payable and accrued liabilities, due to shareholder, lease liability, royalty payable 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.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 accounts receivable are exposed to credit risk which the Company manages by performing credit assessments of customers and provides allowances for uncollectible accounts receivable.

Accounts receivable are past due when a customer fails to make a payment when contractually due. The following is an aging of accounts receivable past due but not impaired as of September 30, 2020.

	\$
1-30 days	16,244
More than 30 days	850
	<u>17,094</u>

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, 2020, the Company had a working capital surplus (deficit) of (\$5,609,877) (September 30, 2019 – \$1,524,101).

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities.

	Less than 1 year	1 to 2 years	2 to 3 years
Accounts payable and accrued liabilities	\$658,367	-	-
Due to shareholder	\$25,000	-	-
Lease liability	\$39,221	\$40,404	\$13,599
Secured loan	\$5,383,328	-	-
Royalty agreement	-	-	\$238,520
Total	<u>\$6,105,916</u>	<u>\$40,404</u>	<u>\$252,119</u>

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

15. 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:

	2020	2019
	(\$)	(\$)
Loss for the year	(2,073,561)	(6,396,107)
Expected income tax expense (recovery) at 26.5%	(549,494)	(1,694,968)
Non-deductible expenditures	84,305	(1,213,733)
Loss carry-forwards acquired in RTO	(88,162)	(625,764)
Adjustments to prior year non-capital losses and UCC balances	355,918	
Change in unrecognized deductible temporary differences	197,434	1,106,999
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% (2019– 26.5%), which is the effective rate when they are expected to be realized and are as follows:

	2020	2019
	(\$)	(\$)
Loss carry-forwards	1,686,923	1,115,009
Property, plant, equipment, and intangible assets	(149,563)	224,919
Intangible asset	(90,365)	-
Deferred tax assets not recognized	1,446,996	1,339,928
	(1,537,361)	(1,339,928)
Net deferred tax liability	(90,365)	-

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

15. INCOME TAXES (continued)

c) Loss Carry Forwards

As at September 30, 2020, the Company's unused tax losses for which no deferred tax asset is recognized totals \$6,365,749. These losses expire as follows:

2031	15,394
2033	208,790
2034	202,003
2035	139,960
2036	692,794
2037	1,233,868
2038	296,414
2039	1,814,126
2040	1,762,400
	<hr/>
	6,365,749

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

16. COMMITMENTS

The Company entered into a lease for its premises during the year which is classified as an operating lease.

The future minimum lease payments at September 30, 2020 are as follows:

<u>Year</u>	<u>Amount (\$)</u>
2021	39,221
2022	40,404
2023	13,599

17. SUBSEQUENT EVENTS

(a) Share consolidation

On October 13, 2020, the Company announced a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation shares for every ten (10) pre-consolidation common shares. All share and per share data presented in the consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

SIRE BIOSCIENCE INC.

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

17. SUBSEQUENT EVENTS (continued)

(b) Private placement

The Company closed a non-brokered private placement offering on January 27, 2021 issuing an aggregate of 29,000,000 common shares at a price of \$0.05 per share raising gross proceeds of \$1,450,000. The majority of the proceeds will be used for working capital purposes in the Company.

(c) Disposal of Leamington Property

On January 18, 2021, the Company announced that it reached a settlement agreement with the holder of the vendor takeback mortgage of its Leamington property. Under the terms of the settlement, the ownership of the property will be transferred back to the vendors with the Company paying \$300,000 in monies and \$50,000 in shares of the Company. All debts and liabilities of the Company associated with the property will be settled in full.

(d) Letter of intent

Subsequent to the year end, the Company entered into a non-binding letter of intent to acquire 100% of Denver based PlantFuel, Inc. for 65,000,000 of the Company's common shares. The agreement is subject to due diligence, a definitive agreement and other customary closing conditions, including the approval of the Canadian Securities Exchange.