PLANT FUEL®

PLANTFUEL LIFE INC.
(Formerly Sire Bioscience Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021, AND 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PlantFuel Life Inc. *(formerly Sire Bioscience Inc.)*

Opinion

We have audited the consolidated financial statements of PlantFuel Life Inc. (formerly Sire Bioscience Inc.) (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020 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, 2021 and 2020, 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 $13,395,005 during the year ended September 30, 2021. 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 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 auditor's 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 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 Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 27, 2022
Toronto, Ontario

PLANTFUEL LIFE INC. (formerly Sire Bioscience Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	September 30, 2021	September 30, 2020
	($)	**($)**
ASSETS		
Current		
Cash	296,557	77,280
Sales tax receivables	174,248	128,893
Trade receivables (Note 15)	48,752	105,242
Prepaid expenses (Note 5)	1,851,356	44,053
Inventories (Note 4)	1,563,989	123,939
Total current assets	3,934,902	479,407
Long-term		
Property, plant and equipment (Note 7)	19,986	6,230,794
Right of Use - asset (Note 6)	30,870	54,022
Intangible assets (Note 8 and 12)	27,246,952	326,792
Goodwill (Note 12)	-	91,545
Total long term assets	27,297,808	6,703,153
TOTAL ASSETS	31,232,710	7,182,560
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	1,288,085	658,368
Due to shareholder (Note 11)	-	25,000
Lease liability (Note 6)	25,552	22,588
Current portion of secured and revolving loans (Note 9 and 10)	-	5,383,328
Total current liabilities	1,313,637	6,089,284
Long-term		
Lease liability (Note 6)	3,381	30,533
Royalty agreement liability (Note 12)	238,520	238,520
Deferred tax liability (Note 17)	-	90,365
Total long-term liabilities	241,901	359,418
TOTAL LIABILITIES	1,555,538	6,448,702
SHAREHOLDERS' EQUITY		
Share capital (Note 13 and 19)	45,310,850	7,939,303
Contributed surplus (Note 13)	4,450,704	711,259
Warrants (Note 13)	830,025	75,097
Accumulated other comprehensive income	397,302	-
Deficit	(21,311,709)	(7,991,801)
	29,677,172	733,858
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,232,710	7,182,560

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

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 19)

Approved on behalf of the board:

(signed) "Brad Pyatt"
Director

(signed) "Wally Rudensky"
Director

PLANTFUEL LIFE INC. (formerly Sire Bioscience Inc.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended September 30
(Expressed in Canadian dollars)

	2021 ($)	2020 ($)
Sales	1,053,081	492,128
Cost of goods sold (Note 4)	1,028,754	397,594
Gross Profit	**24,327**	**94,534**
Expenses		
Administration	395,768	129,513
Amortization	3,329,540	33,188
Wages and Management fees	815,284	799,419
Marketing and promotion	1,856,699	134,099
Travel	64,257	37,910
Consulting and professional fees	988,270	150,304
Share based compensation (Note 13)	3,799,070	147,545
Impairment of Fusion (Note 8 and 12)	606,022	-
Realized loss on property settlement (Note 7)	962,669	-
Rent	8,524	8,284
Research and development	454,002	-
Total operating expenses	13,280,105	1,440,262
Operating Loss	**(13,255,778)**	**(1,345,728)**
Interest income	17,006	17,465
Interest expense	(190,952)	(597,721)
Financing fees	(60,000)	-
Accreted interest (Note 10)	(63,459)	(147,577)
Foreign exchange gain	67,813	-
Loss for the year before income tax	**(13,485,370)**	**(2,073,561)**
Income tax recovery		
Deferred tax income recovery	90,365	-
Net Loss for the year	**(13,395,005)**	**(2,073,561)**
Other comprehensive income		
Items that may be reclassified to profit and loss in subsequent periods:		
Foreign currency translation adjustment	397,302	-
Comprehensive loss for the year	**(12,997,703)**	**(2,073,561)**
Basic and diluted loss per share:	(0.71)	(0.30)
Weighted average number of common shares outstanding	18,909,754	6,873,479

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

PLANTFUEL LIFE INC. (formerly Sire Bioscience Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30
(Expressed in Canadian dollars)

	2021	2020
	($)	($)
OPERATING ACTIVITIES		
Net loss for the year	(13,395,005)	(2,073,561)
Items not affecting cash:		
Loss on property settlement (Note 7)	962,669	-
Accrued Interest	171,354	500,000
Accreted interest (Note 10)	63,459	147,287
Foreign exchange gain (loss)	(52,178)	-
Impairment of Fusion (Note 8 and 12)	606,022	-
Amortization	3,329,540	33,188
Share based compensation	3,799,070	147,545
Shares issued for services	378,171	-
Recovery of deferred income tax	(90,365)	-
Changes in non-cash working capital items:		
Sales taxes	(45,355)	(34,253)
Trade and other receivables	55,490	(63,229)
Inventory	(1,735,835)	(291)
Prepaid expenses (Note 5)	(1,807,303)	12,139
Accounts payable and accrued liabilities	548,469	266,128
Cash flows used in operating activities	(7,211,797)	(1,065,047)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(397,344)
Cash paid on acquisition of subsidiary	255	-
Cash flows used in investing activities	255	(397,344)
FINANCING ACTIVITIES		
Share issue	7,964,100	-
Share issuance costs	(235,324)	-
Repayment of secured loan	-	(100,000)
Cash paid on property settlement (Note 7)	(300,000)	-
Repayment of lease	(23,398)	(16,046)
Options exercised	60,000	-
Proceeds from revolving loan facility (Note 9)	500,000	-
Repayment of revolving loan facility (Note 9)	(500,000)	-
Proceeds from shareholder loan	(34,559)	(5,000)
Cash flows (used in) provided by financing activities	7,430,819	(121,046)
CHANGE IN CASH	219,277	(1,583,437)
CASH, BEGINNING OF THE YEAR	77,280	1,660,717
CASH, END OF THE YEAR	296,557	77,280

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

PLANTFUEL LIFE INC. (formerly Sire Bioscience Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2021, and 2020
(Expressed in Canadian dollars)

	Number of Shares[1]	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Accumulated Other Comprehensive Income ($)	Deficit ($)	Total ($)
Balance at September 30, 2019	6,670,372	7,895,598	563,714	699,283		(6,542,426)	2,616,169
Shares issued on acquisition of Fusion Nutrition Inc. (Note 12)	48,561	43,705	-	-	-	-	43,705
Shares issued on notes receivables	350,000	-	-	-	-	-	-
Share based compensation	-	-	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	7,068,933	7,939,303	711,259	75,097	-	(7,991,801)	733,858
Share based compensation	-	-	3,855,361	-	-	-	3,855,361
Shares issued in equity raise, net of issue costs (Note 1 and 13)	6,833,333	4,341,423	-	-	-	-	4,341,423
Value of warrants issued in unit issuance (Note 13)	-	(830,025)	-	830,025	-	-	-
Shares issued in equity raise as part of PlantFuel, Inc. acquisition (Note 1 and 10)	3,904,556	3,387,353	-	-	-	-	3,387,353
Shares issued on acquisition of PlantFuel, Inc. (Note 12 and 13).	10,833,333	29,900,000	-	-	-	-	29,900,000
Shares issued as part of property settlement (Note 7)	83,333	75,000	-	-	-	-	75,000
Shares cancellation (Note 11 and 13)	(350,000)	-	(56,291)	-	-	-	(56,291)
Shares issued for settlement (Note 13)	171,905	268,171	-	-	-	-	268,171
Share issued for services (Note 13)	56,075	110,000	-	-	-	-	110,000
Options exercise (Note 13)	50,000	119,625	(59,625)	-	-	-	60,000
Warrants expiration (Note 13)	-		-	(75,097)	-	75,097	-
Loss and comprehensive loss for the year	-	-	-	-	397,302	(13,395,005)	(12,997,703)
Balance at September 30, 2021	28,651,468	45,310,850	4,450,704	830,025	397,302	(21,311,709)	29,677,172

(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 19(b).

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

1. NATURE OF OPERATIONS AND GOING CONCERN

PlantFuel Life Inc.(the "Company") formerly Sire Bioscience Inc. ("Sire") is a company incorporated 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 March 12, 2021, the Company completed the acquisition of PlantFuel, Inc. See Note 12. The Company focuses on health supplements, nutraceuticals, and plant protein-based products.

In April 2021, the Company received approval and changed its operating name to PlantFuel Life Inc. The Company is listed for trading on the CSE under the symbol "FUEL.CN", OTC "PLFLF", and 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, 2021, the Company incurred a net loss of $13,395,005 (2020 – $2,073,561) and had a working capital surplus of $2,621,265 (2020 deficit of $5,609,877). 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 $1,199,602. See Note 19(a). Management is of the opinion that based on current forecasts for the nutraceutical business, the Company will require additional funds to meet the Company's liabilities and commitments as they become due. There is a risk 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.

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 several scenarios, which the Company continues to monitor and take into consideration.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company for the year ended September 30, 2021, 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 27, 2022.

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 is the Canadian dollar. The functional currency of PlantFuel, Inc., which was acquired in March 2021, is US dollars. All other entities continued to have a functional currency of Canadian dollars throughout 2021.

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.

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., Fusion Nutrition Inc., and PlantFuel, 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 judgments 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 the volatility of the Company's stock price.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Estimates and Judgments (Continued)

(ii) Business combination

The Company applies judgment in determining a business is acquired when the integrated set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

In a business combination, a significant area of judgment and estimation relates to the determination of the fair value of assets and liabilities acquired including any intangible assets and goodwill identified.

(iii) Acquisition of a group of assets

At the date of acquisition of a subsidiary or associate, intangible assets that are deemed separable and that arise from contractual or other legal rights are capitalized and included within the net identifiable assets acquired. The net identifiable assets acquired and liabilities assumed are measured at their estimated fair value of the consideration paid, based on their relative fair values at the acquisition date except where the fair value cannot be estimated reliably, in which case all financial instruments are measured at fair value and the residual balance is allocated to the value of intangible assets.

(iv) Revenue recognition

The assessment of terms and conditions in contracts which may impact revenue recognition can require significant judgment. Management exercises judgment in estimating the revenue from contracts with customers subject to variable consideration.

(v) 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 the going concern is outlined in Note 1.

(vi) 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 statements of loss and comprehensive loss.

(vii) Property, plant, equipment, and intangible assets

Management exercises judgment in determining when property, plant and equipment, and intangible assets are available for use as well as their useful lives.

(viii) Non-financial asset impairment

Management exercises judgment 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 the goods are received by the customer. Revenue is measured based on the consideration the Company expects to be entitled to receive in exchange of assets as specified in contracts with customers. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. Where the Company cannot reasonably estimate the future returns, revenue is deferred and recognized when the right to return the product is no longer available to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company derives all its revenue in Canada and the United States via sales of supplements products under its Fusion and PlantFuel brand names. Most of its sales are to wholesale customers, but the Company does maintain a direct-to-consumer sales website. General terms for sales vary from prepayment to net 30-60 on a customer-by-customer basis. The Company assesses the recoverability of the each of its accounts on a regular basis.

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:

<u>Financial assets</u>

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.

<u>Impairment</u>

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

As at September 30, 2021 and 2020, 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
Due to shareholder	Amortized cost
Lease liability	Amortized cost
Royalty liability	Amortized cost
Secured Loan	Amortized cost

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability with a corresponding right-of-use ("ROU") asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimate of any residual amount payable, or if applicable, the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The ROU asset is depreciated using the straight-line method from the recognition date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Share Loans

As identified in Note 11, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per Share

Basic 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

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 includes 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
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Asset

Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their relative fair value at the date of acquisition except where the fair value cannot be estimated reliably, in which case all financial instruments are measured at fair value and the residual balance is allocated to the fair value of intangible assets. 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 and unpatented technological know-how over a straight-line period of five 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

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.

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 recognized and recognizes 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.

The Company determines whether a business is acquired when the integrated set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (Continued)

The Company also has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is determined not to be a business combination. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

New accounting standards issued but not effective

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 3 – Business Combinations

The IASB has issued an amendment to IFRS 3, Business Combinations adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9, Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards issued but not effective (Continued)

The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

4. INVENTORIES

During the year ended September 30, 2021, inventory valued at $1,028,754 (2020 – $308,594) was expensed as product cost of sales. There were provisional product write-downs of Fusion Nutrition Inc. inventory totaling $221,785 during the year ended September 30, 2021 (2020 - $nil).

Inventory at September 30, 2021 consisted of finished goods valued at $1,563,989 (2020 - $123,939).

5. PREPAID EXPENSES

During the year ended September 30, 2021, the company made prepayments for services to be incurred in the future. The balance is comprised of product manufacturer prepayments $1,113,652 (2020 - $nil), prepaid marketing agreements $717,451 (2020 - $nil) and prepaid administration expenses $20,253 (2020 - $44,053).

6. 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 before the lease termination subject to certain provisions incorporated in the lease.

Right of Use Asset	**2021**	**2020**
	($)	**($)**
Beginning balance	54,022	-
Additions	-	69,457
Less: amortization	(23,152)	(15,435)
Total carrying value - September 30	30,870	54,022

Lease liability	**2021**	**2020**
	($)	**($)**
Beginning balance	53,121	-
Addition	-	69,457
Less: lease payments	(23,898)	(16,046)
Finance expenses	(290)	(290)
Total lease liability	28,933	53,121
Less: current portion	(25,552)	(22,588)
Balance - September 30	3,381	30,533

Lease commitments - undiscounted cash flow:	**2021**	**2020**
	($)	**($)**
Future lease payments	71,285	93,224
Short-term lease payments not recognized under IFRS 16	(34,570)	(31,742)
Finance charges	(7,782)	(8,361)
Total liability	28,933	53,121

(Expressed in Canadian dollars)

7. PROPERTY, PLANT, AND EQUIPMENT

	Land	Building	Computer Equipment	Furniture & Fixtures	Total
Cost	**($)**	**($)**	**($)**	**($)**	**($)**
Balance as of September 30, 2019	**1,301,074**	**4,524,700**	**2,045**	**-**	**5,827,819**
Additions	-	380,037	1,737	24,746	406,520
Balance as of September 30, 2020	**1,301,074**	**4,904,737**	**3,782**	**24,746**	**6,234,339**
Additions	**-**	**-**	**-**	**-**	**-**
Disposal of Leamington	(1,301,074)	(4,904,737)	-	-	(6,205,811)
Balance as of September 30, 2021	**-**	**-**	**3,782**	**24,746**	**28,528**
Accumulated Depreciation					
Balance as of September 30, 2019	**-**	**-**	**-**	**-**	**-**
Amortization	-	-	(1,135)	(2,410)	(3,545)
Balance as of September 30, 2020	**-**	**-**	**(1,135)**	**(2,410)**	**(3,545)**
Amortization	-	-	(529)	(4,467)	(4,997)
Balance as of September 30, 2021	**-**	**-**	**(1,664)**	**(6,877)**	**(8,542)**
Net Book Values					
Balance as of September 30, 2020	**1,301,074**	**4,904,737**	**2,647**	**22,336**	**6,230,794**
Balance as of September 30, 2021	**-**	**-**	**2,118**	**17,869**	**19,986**

The Company, via its subsidiary, 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. This transaction was completed by taking a secured loan – vendor takeback mortgage on the property. See Note 10.

The purchase price for the assets acquired under the PSA had been allocated according to their relative fair values as at the date of acquisition. As the Company has decided to focus its efforts on the supplements and plant protein industries, it was decided to return the land and buildings to the original vendor who held the mortgage on the property. A settlement agreement was reached on January 15, 2021, whereby along with the property and buildings, the Company paid $300,000 in cash and issued the vendor 83,333 common shares of the Company in return for the settlement of all debts and liabilities associated with the property. The fair value of the shares was estimated based on the quoted market price of the Company's shares at the date of settlement. The resulting loss has been calculated as $962,669 and recorded in the statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	Fusion Brand	Intellectual Property and Know-How	Total
	($)	($)	($)
Cost			
Balance as of September 30, 2019	**341,000**	**-**	**341,000**
Additions	-	-	-
Balance as of September 30, 2020	**341,000**	**-**	**341,000**
Additions	-	-	-
Impairment (Note 11)	(341,000)	-	-
Acquisition (Note 11)	-	29,962,539	29,962,539
Foreign exchange	-	594,790	594,790
Balance as of September 30, 2021	**-**	**30,557,329**	**30,557,329**
Accumulated Depreciation			
Balance as of September 30, 2019	**-**	**-**	**-**
Amortization	(14,208)	-	(14,208)
Balance as of September 30, 2020	**(14,208)**	**-**	**(14,208)**
Amortization	(34,100)	(3,284,655)	(3,318,755)
Impairment (Note 11)	48,308	-	48,308
Foreign exchange	-	(25,722)	(25,722)
Balance as of September 30, 2021	**-**	**(3,310,377)**	**(3,310,377)**
Net Book Values			
Balance as of September 30, 2020	**326,792**	**-**	**326,792**
Balance as of September 30, 2021	**-**	**27,246,952**	**27,246,952**

9. REVOLVING LOAN FACILITY

On July 15, 2021, the Company entered into a revolving loan facility agreement with a credit limit of $2,000,000. This loan is subject to stand-by fee of 0.5% per annum and interest rate of 10% per annum payable at the end of each month. The interest rate is subject to a decrease to 8% per annum if certain terms are met. It matures on July 15, 2022, unless otherwise extended.

Total advances granted to the Company during the year were $500,000, and they were fully repaid by the Company along with accrued interest and stand-by fees, amounting a total of $501,651, on August 11, 2021. Total accrued interest and fees on this loan at year-end is $1,370 (2020 - $Nil).

(Expressed in Canadian dollars)

10. 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 7). The loan was secured by the land and greenhouse assets, beared 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 were due August 13, 2018, and December 13, 2018, and the balance of the loan principal was due on July 13, 2021. Interest was repayable in monthly installments beginning in year two. Due to the interest-free period, the loan was 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%. On January 15, 2021 (the settlement date) the Company completed a transaction transferring the property back to the Vendor and settling the debt. See Note 7.

	September 30, 2021	September 30, 2020
	($)	($)
Beginning principal amount	4,700,000	4,900,000
Discount	(732,658)	(732,658)
Repayments during the year	-	(200,000)
Accrued interest	905,764	734,410
Accreted interest	745,035	681,576
Balance settled	(5,618,141)	-
Current portion	-	(5,383,328)
	-	-

11. 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, 2021, the following amounts were paid to or accrued for key management personnel $618,517 (2020 - $640,000).

Accounts payables and accrued liabilities as at September 30, 2021 include $31,973 (2020 - $220,361) owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

As at September 30, 2021, a total of $nil (2020 - $25,000) 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 the former CFO, Natural Lines Inc., a company controlled by a former director of the board of Sire and Layton Hipfner, the former master grower of the Company. On September 29, 2021, the Company has entered into set-off agreements with each debtor and set-off the loan amounts of $350,000 each owing to the Company by each Debtor against the surrender and cancellation of 116,667 post-consolidated common shares (the "Shares") of the Company by each Debtor. The Company confirms that a total of 350,000 Shares were cancelled and returned to treasury and, henceforth it has released the Debtors of all obligations in connection with the loans.

(Expressed in Canadian dollars)

12. ACQUISITIONS

12 (a) Acquisition of PlantFuel, Inc.

On March 12, 2021, the Company completed its acquisition of PlantFuel, Inc. (PF), an American-based plant protein company. PF is focused on delivering plant-fueled nutritional supplements to consumers using world-class formulations and using clinically proven ingredients. The Company acquired the creative assets and product formulas related to the PlantFuel intellectual property and know-how. The transaction was completed by issuing 10,833,333 common shares of the Company. According to the terms of the agreement, the consideration shares are held in escrow and are to be distributed as follows: The shares were subject to the following release provisions, 10% on closing, 30% three months from closing, 30% six months from closing, and 30% 12 months from closing.

The acquisition of PF does not meet the definition of a business combination under IFRS 3. Consequently, the transaction has been accounted for as an asset acquisition.

The total purchase price was allocated based on the relative fair value of the assets and the liabilities acquired as shown below:

Fair Value of Net Assets acquired on March 12, 2021:

	($)
Cash	255
Prepaid assets	6,247
Intangible assets	29,962,539
Accounts payable and accruals	(59,482)
Due to shareholder	(9,559)
	29,900,000
Fair Value of consideration	
Common shares of PlantFuel Life Inc.	29,900,000

The fair value of the common shares was determined using the Company’s closing share price of $2.76 on March 12, 2021.

(Expressed in Canadian dollars)

12. ACQUISITIONS (continued)

12 (b). 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 affected by issuing 48,561 common shares (the consideration shares) of the Company at a value of $1.20 per share (CSE required no value under $1.20). 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.

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)
	43,705
Fair Value of consideration	
Common shares of PlantFuel Life Inc	43,705

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 $3.00 per share, the actual trading value of PlantFuel Life Inc. shares as of the date of acquisition was $0.90 per share which resulted in the fair value of $43,705.

12 (b). Acquisition of Fusion Nutrition Inc. (continued)

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 three years at which point the Company has the 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.

Subsequent to September 30, 2021, management has decided it will no longer devote any resources to operating Fusion Nutrition Inc. This decision resulting in a negative impact on the CGU impairment analysis and judgment was applied in developing the key assumptions. Based on the impairment analysis performed, the Company concluded the recoverable amount of the CGU is less than the carrying value, resulting in a goodwill ($91,545), intangible asset ($292,692), and inventory ($221,785) impairment charge. The Company recorded an impairment expense during the year ended September 30, 2021, of $606,022 on the consolidated statement of loss and comprehensive loss.

13. EQUITY INSTRUMENTS

Share Capital

Authorized:

Unlimited number of Common shares without par value.
Unlimited number of Preferred shares without par value.

Issued: 28,651,468 common shares – Subsequent to year end, the Company announced a consolidation of its issued and outstanding common shares based on one (1) post-consolidation shares for every six (6) 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. See Note 19(b).

On May 3, 2020, the Company issued 48,561 common shares of the Company to acquire 100% of the issued and outstanding shares of Fusion Nutrition Inc. The value of the shares as of the date of acquisition was $0.90 per share which resulted in the fair value of $43,705. Upon satisfaction of certain terms in the agreement, the shares were 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.

On January 27, 2021, the Company completed a private placement whereby it issued 4,833,333 common shares at $0.30 for total proceeds of $1,450,000. All shares are subject to a four-month hold period pursuant to securities laws in Canada. The funds raised will be used for working capital purposes.

On March 12, 2021, the Company issued 10,833,333 shares to complete the acquisition of 100% of the issued and outstanding shares of PlantFuel, Inc. Please see Note 12a.

A settlement agreement was reached on January 15, 2021, whereby along with the property and buildings, the Company paid $300,000 in cash and issued the vendor 83,333 common shares of the Company in return for the settlement of all debts and liabilities associated with the property. The fair value of the shares was estimated based on the quoted market price of the Company’s shares which resulted in a fair value of $75,000. Please see Note 7.

13. EQUITY INSTRUMENTS (Continued)

Share Capital (continued)

On March 12, 2021, the Company completed a non-brokered private placement whereby it issued 3,904,556 shares at $0.90 per share for total gross proceeds of $3,514,100. All shares are subject to a four-month hold period pursuant to securities laws in Canada. The Company paid cash finder's fees totaling $126,747 to certain registered dealers of up to 6% of the proceeds derived from subscriptions introduced to the Company under the private placement.

On March 31 and August 11, 2021, the Company issued 22,741 common shares for past services to settle fees owing to consultants for two quarters payable in shares. The fair value of the shares was estimated based on the quoted market price of the Company's shares which resulted in a fair value of $56,000.

On July 20, 2021, the Company issued 33,334 common shares for past services to consultants. The fair value of the shares was estimated based on the quoted market price of the Company's shares which resulted in a fair value of $54,000.

On August 9, 2021, the Company completed a non-brokered private placement whereby it issued 2,000,000 units at a price of $1.50 per share for gross proceeds of $3,000,000. Each Unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional share of the Company at a price of $2.40 per share for a period of 18 months from the date of issuance. The Company paid cash finder's fees totaling $108,375 to certain registered dealers of up to 6% of the proceeds derived from subscriptions introduced to the Company under the private placement.

On August 30, 2021, the Company issued 171,905 common shares for past services to settle fees of USD$200,000 (CAD$268,171) owing to consultants. The fair value of the shares was estimated based on the quoted market price of the Company's shares.

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 28,651,468 as at September 30, 2021. 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.

On March 22, 2021, the Company announced that it has granted an aggregate of 1,033,333 incentive stock options to certain consultants, directors, and officers of the Company at an exercise price of $2.85 per common share for two years.

On May 31, 2021, the Company announced that it has granted an aggregate of 916,667 incentive stock options to certain consultants, directors, and officers of the Company at an exercise price of $1.98 per common share for two years.

On August 3, 2021, the Company announced that it has granted an aggregate of 666,667 incentive stock options to certain consultants of the Company at an exercise price of $1.74 per common share for three years.

(Expressed in Canadian dollars)

13. EQUITY INSTRUMENTS (Continued)

Stock option plan and stock-based compensation (Continued)

On August 10, 2021, the Company announced that it has granted an aggregate of 500,000 incentive stock options to certain directors and officers of the Company at an exercise price of $1.95 per common share for three years.

On August 10, 2021, 50,000 incentive stock options were exercised by a former director and officer of the Company at an exercise price of $1.20 per common share

On September 16, 2021, the Company announced that it has granted an aggregate of 250,000 incentive stock options to certain consultants of the Company at an exercise price of $1.38 per common share for three years.

On September 16, 2021, the Company announced that it has granted an aggregate of 37,500 incentive stock options to certain consultants of the Company at an exercise price of $1.68 per common share for ten years.

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

	Number of Stock Options	Weighted Average Exercise Price
		($)
Balance, September 30, 2019	**181,333**	**3.00**
Expired options	(75,500)	3.00
Cancelled options	(84,167)	2.40
Issuance	461,667	1.20
Balance, September 30, 2020	**483,333**	**1.20**
Issuance	3,404,167	2.15
Expired options	(24,722)	2.45
Cancelled options	(946,945)	2.20
Exercised options	(50,000)	1.20
Balance, September 30, 2021	**2,865,833**	**1.99**

(Expressed in Canadian dollars)

13. EQUITY INSTRUMENTS (Continued)

Stock option plan and stock-based compensation (continued)

The following table summarizes the stock options outstanding and exercisable as at September 30, 2021:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life
		($)		(yrs)
500,000**	125,000	2.85	March 22, 2023	1.47
833,333**	138,889	1.98	May 31, 2023	1.67
78,333*	39,167	1.20	March 30, 2025	3.50
666,667****	666,667	1.74	August 3, 2024	2.84
500,000****	500,000	1.95	August 10, 2024	2.86
250,000***	250,000	1.38	August 16, 2024	2.98
37,500****	37,500	1.68	September 24, 2031	9.99

*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 three years until all such Options have become fully vested.
**Options granted hereby shall become vested and can be exercised in accordance with the plan, and for greater certainty, as follows: 1/24 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 two years until all such Options have become fully vested
***Options granted hereby shall become vested and can be exercised in accordance with the plan, and for greater certainty, as follows: 1/2 of each such Option granted shall vest immediately and 1/2 become exercisable on a cumulative monthly basis commencing on the date that the Option is granted, for one year until all such Options have become fully vested
****Vested immediately

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

Number of Options Outstanding	Risk-free interest rate	Expected volatility [1]	Dividend yield	Expected life	Share price	Exercise price
78,333	0.78%	244%	Nil	5.00	1.20	1.20
500,000	0.50%	199%	Nil	2.00	2.70	2.85
833,333	0.50%	200%	Nil	2.00	1.98	1.98
666,667	0.25%	184%	Nil	3.00	1.74	1.74
500,000	0.25%	184%	Nil	3.00	1.95	1.95
250,000	0.25%	183%	Nil	3.00	1.38	1.38
37,500	1.50%	186%	Nil	10.00	1.68	1.68

1 Expected volatility is based on historical volatility.

During the year ended September 30, 2021, the Company recognized share-based compensation costs totaling $3,855,361 in relation to option grants. The share-based compensation expense related to the options issued to directors and officers of the Company is $2,141,621.

(Expressed in Canadian dollars)

13. EQUITY INSTRUMENTS (Continued)

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 advisory 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 116,667 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%. The 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	$1.20
Share price	$1.20

[1] Expected volatility is based on historical volatility.

On September 29, 2021, the Company has entered into set-off agreements with each debtor and set-off the loan amounts of $350,000 each owing to the Company by each Debtor against the surrender and cancellation of 116,667 post-consolidated common shares (the “Shares”) of the Company by each Debtor. The Company confirms that a total of 350,000 Shares were cancelled and returned to treasury and, henceforth it has released the Debtors of all obligations in connection with the loans. As a result of the cancellation, the Company reversed $56,291 in share based compensation previously recognized in relation to the transaction.

(Expressed in Canadian dollars)

13. EQUITY INSTRUMENTS (Continued)

Warrants

In connection with the August 9, 2021 private placement, the Company issued 1,000,000 warrants with an exercise price of $2.40 per warrant. These warrants were assigned an estimated fair value of $830,025 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 202%, a risk free interest rate of 0.50%, share price of $2.01 and an expected maturity of 1.5 years.

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

	Number of Warrants	Weighted Average Exercise Price
		($)
Balance, September 30, 2019	376,200	3.00
Expired November 27, 2019	(338,700)	-
Balance, September 30, 2020	37,500	3.60
Expired October 9, 2020	(37,500)	-
Issued, August 9, 2021	1,000,000	2.40
Balance, September 30, 2021	1,000,000	2.40

Number of Warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
	($)		(yrs)
1,000,000	2.40	February 7, 2023	1.36

14. 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, 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 the future development of the business.

The Company is primarily dependent on external financing to fund its activities. To carry out the planned business 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, 2021. The Company is not subject to externally imposed capital requirements.

15. 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, and secured loan.

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

15. 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 receivables 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, 2021. No provisions have been recorded in relation to any of the receivables in the table below.

	$
1-30 days	-
30-60 days	48,752
More than 60 days	-
	48,752

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.

Currency risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States Dollar. Fluctuations in the exchange rates between the United States Dollar and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2021, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

	US Dollars
Cash	$ 142,974
Receivables	$ 47,340
Accounts payable and accrued liabilities	$ (563,258)
Total	$ (372,944)
Effect of +/- 10% change in exchange rate	$ (37,294)

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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. On September 30, 2021, the Company had a working capital surplus of $2,746,211 (September 30, 2020, working capital deficiency of $5,609,877).

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	$1,288,085	-	-
Lease liability	$25,552	$3,381	-
Royalty agreement	-	-	$238,520
Total	$1,313,637	$3,381	$238,520

16. OPERATING SEGMENTS

Revenue is attributed to geographical locations based on the origin of customers' location.

	Years ended	
	September 30, 2021	September 30, 2020
Canada	$ 1,006,108	$ 492,128
United States	46,973	-
	$ 1,053,081	$ 492,128

The Company's property plant and equipment located in Canada are in the amount of $19,986 (2020 - $6,230,794) and the property plant and equipment located in the United States of America are in the amount of $nil (2020 - $nil).

The Company's intangible assets located in Canada are in the amount of $nil (2020 - $326,792) and the intangible assets located in the United States of America are in the amount of $27,246,952 (2020 - $nil).

The Company's goodwill located in Canada is $nil (2020 - $91,545) and the goodwill located in the United States is $nil (2020 - $nil).

(Expressed in Canadian dollars)

17. INCOME TAXES

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:

	2021	2020
	($)	**($)**
Loss for the year before income tax	**(13,485,370)**	**(2,073,561)**
Expected income tax expense (recovery) at 26.5%	**(3,573,623)**	**(549,494)**
Income tax (recovery) expense at statutory rate	**23,947**	**-**
Non-deductible expenditures	**1,728,477**	**84,305**
Loss carry-forwards acquired in RTO	**-**	**(88,162)**
Adjustments to prior year non-capital losses and UCC balances	**134,900**	**355,918**
Rate difference on foreign subsidiary	**125,129**	
Change in unrecognized deductible temporary differences	**1,561,170**	**197,433**
Income tax expense	**-**	-

Deferred Income Taxes

The Company’s deferred income tax assets are valued using the future income tax rate of 26.5% (2020– 26.5%), which is the effective rate when they are expected to be realized and are as follows:

	2021	2020
	($)	**($)**
Loss carry-forwards	**2,839,693**	**1,686,923**
Property, plant, and equipment	**196,272**	**(149,563)**
Share issue costs	**62,566**	**-**
Intangible asset	**-**	**(90,365)**
	3,098,531	**1,446,995**
Deferred tax assets not recognized	**(3,098,531)**	**(1,537,360)**
Net deferred tax liability	**-**	**(90,365)**

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

Loss Carry Forwards

As at September 30, 2021, the Company's unused tax losses in Canada for which no deferred tax asset is recognized totals $8,431,595. These losses expire as follows:

2031	15,394
2033	208,790
2034	202,003
2035	139,960
2036	213,965
2037	1,233,868
2038	266,186
2039	1,814,258
2040	1,762,268
2041	2,574,903
	8,431,595

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

As at September 30, 2021, the Company has US non-capital loss carry forwards of approximately $2,275,000 which can be used to reduce taxable income of future years. The benefit of the non-capital loss carry forwards balance has not been recorded in the financial statements. These non-capital losses do not expire.

18. 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, 2021 are as follows:

Year	Amount ($)
2022	25,814
2023	10,901

19. SUBSEQUENT EVENTS

a) On November 30, 2021, the Company closed a non-brokered private placement offering issuing an aggregate of 768,976 units ("Units") at $1.56 per Unit raising gross proceeds of $1,199,602. The majority of the proceeds will be used for working capital purposes in the Company. Each Unit is comprised of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one additional share of the Company at $2.40 per share for 24 months from the date of issuance. The Company paid finder's fees of $68,502.14 and 43,912 finder's warrants The Finder's Warrants are exercisable at $1.56 per Share for a period of 12 months from the date of issuance.

b) On December 14, 2021, the Company announced a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation shares for every six (6) 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.