

PLANTFUEL®

PLANTFUEL LIFE INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED December 31, 2022, AND 2021
(Expressed in Canadian Dollars)

PLANTFUEL LIFE INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As of December 31, 2022, and 2021 (Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	(\$)	(\$)
ASSETS		
Current		
Cash	106,733	786,648
Sales tax receivables	-	-
Trade receivables (Note 17)	21,765	-
Prepaid expenses (Note 4)	490,090	989,541
Inventories (Note 5)	1,521,576	3,712,667
Total current assets	2,140,163	5,488,855
Long-term		
Property, plant and equipment (Note 6)	8,980	(5,135,521)
Right of Use - assets (Note 7)	1,862,605	(44,375)
Intangible asset (Note 8 and 13)	8,619	32,506,725
Goodwill (Note 12)	-	-
Total long term assets	1,880,205	27,326,829
TOTAL ASSETS	4,020,368	32,815,684
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9 and 12)	2,691,413	914,698
Due to shareholder (Note 11)	-	-
Lease liabilities (Note 7)	236,704	-
Current portion of secured and revolving loans (Note 9)	168,347	637,500
Promissory notes payable (Note 10)	-	-
Contract liabilities (Note 10)	1,601,549	1,955,182
Current portion of royalty agreement liability (Note 14)	-	-
Total current liabilities	4,698,013	3,507,380
Long-term		
Secured loan (Note 7)	-	-
Lease liabilities (Note 7)	1,995,537	25,552
Royalty agreement liability (Note 14)	-	-
Deferred tax liability (Note 17)	-	-
Total long-term liabilities	1,995,537	25,552
TOTAL LIABILITIES	6,693,550	3,532,932
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	46,205,225	44,019,354
Contributed surplus (Note 15)	5,439,410	5,489,869
Warrants (Note 15)	3,219,859	1,836,169
Share issuance cost	-	-
Accumulated other comprehensive income	-	-
Deficit	(57,537,676)	(22,062,640)
Total Shareholders' Equity/(Deficit)	(2,673,182)	29,282,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	4,020,368	32,815,684

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

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 20)

Subsequent Events (Note 21)

Approved on behalf of the board:

(signed) "Brad Pyatt"
Director

(signed) "Alson Niu"
Director

PLANTFUEL LIFE INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Three and Nine months ended December 31

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(\$)	(\$)	(\$)	(\$)
Sales	25,110	153,821	658,275	204,181
Cost of goods sold (Note 5)	33,030	151,059	691,907	170,931
Gross (Loss) Profit	(7,921)	2,762	(33,632)	33,250
Expenses				
Impairment of intangible assets (Note 8)	-	-	22,483,818	-
Amortization	6,388	1,631,723	3,414,595	5,148,821
Marketing and promotion	60,000	1,107,917	1,212,091	2,838,857
Consulting and professional fees	308,859	615,095	1,460,839	1,636,493
Research and development	74,902	180,869	735,462	606,171
Wages and Management fees	196,924	91,462	748,561	173,426
Administration	66,852	344,701	248,931	608,569
Share based compensation (Note 15)	-	722,880	(50,458)	4,378,020
Travel	2,451	11,074	19,913	77,739
Rent	9,707	9,385	111,040	12,568
Realized loss on property settlement (Note 6)	-	-	-	-
Total operating expenses	726,083	4,715,107	30,384,791	15,480,665
Operating Loss	(734,003)	(4,712,345)	(30,418,423)	(15,447,415)
Realized loss on property settlement (Note 7)	-	-	-	(59,813)
Interest income	107	22,953	24,653	27,061
Interest expense	2,884	55,050	42,435	71,302
Financing fees (Note 12 and 15)	-	-	166,087	60,000
Accreted interest (Note 7)	-	-	-	63,459
Gain on acquisition (Note 7)	-	-	-	-
Listing expense - RTO Acquisition (Note 4)	-	-	-	-
Foreign exchange (loss) gain	3,035	123,294	(567,733)	49,266
Other income	36	-	10,479	(5,485)
Loss before income tax	(727,941)	(4,511,048)	(30,742,502)	(15,241,624)
Income tax recovery				
Deferred tax income recovery (Note 19)	-	-	-	-
Net Loss	(727,941)	(4,511,048)	(30,742,502)	(15,241,624)
Other comprehensive (loss) income				
Items that may be reclassified to profit and loss in subsequent periods:				
Foreign currency translation adjustment	-	-	-	-
Comprehensive loss	(727,941)	(4,511,048)	(30,742,502)	(15,241,624)
Basic and diluted loss per share:	(0.02)	(0.16)	(0.64)	(0.53)
Weighted average number of common shares outstanding	48,355,747	28,651,468	48,355,747	28,651,468

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

PLANTFUEL LIFE INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine months ended December 31

(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	(\$)	(\$)
OPERATING ACTIVITIES		
Net loss for the Period	(30,742,502)	(15,241,624)
Items not affecting cash:		
Impairment of intangible assets (Note 8)	22,483,818	-
Amortization	3,414,595	5,148,821
Share based compensation	-	-
Shares issued for services	110,866	110,000
Shares issued for loan set-up fees	87,500	-
Accreted interest (Note 7)	-	-
Foreign exchange loss (income)	(567,733)	49,266
Loss on property settlement (Note 6)	-	-
Accrued Interest	-	-
Recovery of deferred income tax (Note 19)	-	-
Changes in non-cash working capital items:		
Sales tax receivables	(21,765)	21,000
Trade receivables	499,451	(883,993)
Inventories	-	-
Prepaid expenses	2,191,091	(3,279,742)
Contract liabilities	-	-
Accounts payable and accrued liabilities	-	-
Cash flows used in operating activities	(2,544,679)	(14,076,272)
INVESTING ACTIVITIES		
Cash paid on acquisition of subsidiary	-	-
Cash flows (used in) provided by investing activities	-	-
FINANCING ACTIVITIES		
Share issuance	1,864,764	12,313,355
Share issuance costs	-	-
Cash paid on property settlement (Note 6)	-	-
Repayment of lease liability	-	-
Options exercised	-	-
Proceeds from revolving loan facility (Note 9)	-	-
Repayment of revolving loan facility (Note 9)	-	-
Proceeds from shareholder loan	-	-
Cash flows provided by financing activities	1,864,764	12,313,355
CHANGE IN CASH	(679,915)	(1,762,917)
CASH, BEGINNING OF THE Period	786,648	2,549,565
CASH, END OF THE Period	106,733	786,648

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

PLANTFUEL LIFE INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)

For the Three months ended December 31, 2022

(Expressed in Canadian dollars)

	Number of Shares	Share Capital (\$)	Contributed Surplus (\$)	Warrants (\$)	Accumulated Other Comprehensive Income (\$)	Deficit (\$)	Total (\$)
Balance at September 30, 2022	36,828,247	47,975,542	5,123,125	2,777,548	379,492	(59,247,025)	(2,991,318)
Share based compensation	-	-	-	-	-	-	-
Shares issued in equity raise, net of issue costs (Note 1 and 15)	11,527,500	922,200	-	-	-	-	922,200
Value of warrants issued in unit issuance (Note 15)	-	-	-	-	-	-	-
Shares issued for services (Note 15)	-	-	-	-	-	-	-
Shares issued for loan set-up fees (Note 12 and 15)	-	-	-	-	-	-	-
Rounding for fractional shares due for 6:1 share consolidation (Note 15)	-	-	-	-	-	-	-
Loss and comprehensive loss for the Period	-	-	-	-	-	(727,941)	(727,941)
Balance at December 31, 2022	48,355,747	48,897,742	5,123,125	2,777,548	379,492	(59,974,966)	(2,797,059)

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

PLANTFUEL LIFE INC.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine months ended December 31, 2022, and 2021

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

PlantFuel Life Inc. (the “Company”) 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 13. 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, 2022, the Company incurred a net loss of \$37,935,316 (2021 – \$13,395,005) and had a working capital deficit of \$2,966,534 (2021 surplus of \$2,621,265). 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 one private placement on three tranches; one for gross proceeds of \$622,000, see note 21(a), second for gross proceeds of \$225,000, see note 21(b) and a third for gross proceeds of \$75,000, see note 21(d). 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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company for the period ended December 31, 2022, have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2023.

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 2022.

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 Incorporated, 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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

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 of assets 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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company derives all its revenue in the United States via sales of supplements products under its PlantFuel brand name. 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 each of its accounts on a regular basis.

Contract Liabilities

Contract liabilities represent the obligation to transfer goods and services to a customer for which the Company has received consideration from the customer. Revenue is recognized when the Company performs under the contract.

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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022 and 2021, 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
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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

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 12 and 15, 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.

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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per Share (continued)

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.

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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Asset (continued)

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.

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.

PLANTFUEL LIFE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2022, and 2021

(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 recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized 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 recognized 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 recognized 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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards issued but not effective (continued)

IAS 8 – Definition of Accountings Estimates

The IASB has issued an amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

4. PREPAID EXPENSES

During the year ended September 30, 2022, the Company made prepayments for services to be incurred in the future. The balance is comprised of product manufacturer prepayments \$280,907 (2021 - \$1,113,652), prepaid marketing agreements \$67,096 (2021 - \$717,451) and prepaid administration expenses \$213,505 (2021 - \$20,253).

5. INVENTORIES

During the year ended September 30, 2022, inventory valued at \$917,189 (2021 – \$1,028,754) was expensed as product cost of sales. There were no provisional product write-downs of inventory during the year ended September 30, 2022 (2021 - \$221,785).

Inventory at September 30, 2022 consisted of finished goods valued at \$1,538,921 (2021 - \$1,563,989).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. PROPERTY, PLANT, AND EQUIPMENT

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 11.

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. See Note 15. 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.

7. LEASES

On February 1, 2020, the Company entered into a three-year lease agreement for its head office. 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.

On March 23, 2022, the Company entered into a seven-year lease agreement for its Colorado office. The Company has the right to renew the term of this lease for two periods of five years each before the lease termination subject to certain provisions incorporated in the lease.

PLANTFUEL LIFE INC.

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Right of Use Asset	2022	2021
	(\$)	(\$)
Beginning balance	30,870	54,022
Additions	2,074,892	-
Less: amortization	(167,912)	(23,152)
Total carrying value - September 30	1,937,850	30,870

Lease liability	2022	2021
	(\$)	(\$)
Beginning balance	28,933	53,121
Addition	2,074,892	-
Less: lease payments	(118,596)	(23,898)
Finance expenses	74,923	(290)
Foreign exchange	172,089	-
Total lease liability	2,232,241	28,933
Less: current portion	(260,027)	(25,552)
Balance - September 30	1,972,214	3,381

Lease commitments - undiscounted cash flow:	2022	2021
	(\$)	(\$)
Future lease payments	2,822,486	71,285
Short-term lease payments not recognized under IFRS 16	-	(34,570)
Finance charges	(590,245)	(7,782)
Total liability	2,232,241	28,933

8. INTANGIBLE ASSETS

During the year ended September 30, 2021, management decided it will no longer devote any resources to operating Fusion Nutrition Inc. This decision resulted 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.

On each reporting date, the Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below their carrying values and, therefore, require the intangible assets to be tested for impairment. During the year ended September 30, 2022, the Company recorded an impairment charge of \$21,186,910. This was allocated to the intangible asset related to the PlantFuel, Inc. CGU.

The above intangible asset was acquired upon the acquisition of PlantFuel, Inc. (Note 13) on March 12, 2021. The Company noted circumstances including losses from operating activities and the inability to achieve forecasted revenues due to delays in product launches and related operational decisions which led to the impairment charge.

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8. INTANGIBLE ASSETS (continued)

A CGU is the smallest group of assets for which there are separate identifiable cash flows. In 2021, there were two CGUs, Fusion Nutrition Inc. and PlantFuel, Inc. In 2022, as a result of no longer devoting resources to Fusion Nutrition Inc., there is only one CGU which is PlantFuel, Inc.. The PlantFuel, Inc. CGU represents a business operation focused on delivering plant-fueled nutritional supplements to consumers. The recoverable amount of the CGUs was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The pre-tax discount rate reflects management's estimate of the time value of money and the Company's weighted average cost of capital adjusted for each CGU and the risk-free rate.

The key assumptions used in the estimation of value in use for the PlantFuel Inc CGU were as follows: pre-tax discount rate – 21%, a 3% growth rate beyond year 5 and for terminal value, budgeted revenue growth rate (average for 2023 through 2027) - 22%, gross margin (averages) 30%, cash flow period - 5 years. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was assumed be 3%, based on management's prudent approach to impairment testing. Budgeted EBITDA margin was estimated taking into account the revenue history of the past 6 months and estimated sales volumes over the next five years.

The recoverable amount of the PlantFuel Inc. CGU was assessed at negative \$2,354,272 based on its value-in-use, which was lower than the carrying amount of the CGU. The Company recorded an impairment charge of \$21,186,910 on intangible assets.

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 loan matured on July 15, 2022 and is incurring a default interest rate of an additional 5% per annum per the loan agreement.

On Aug 29, 2022, the Company entered into a revolving loan facility agreement with a company that is wholly owned by the CEO of the Company. The credit limit is USD \$1,000,000 and it 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 loan matures on September 1, 2023, unless otherwise extended. See Note 12.

Total advances granted to the Company during the year were \$1,549,795. Part of these advances were repaid by the Company along with accrued interests and stand-by fees, amounted a total of \$1,314,078, on November 30, 2021 and March 3, 2022.

As at September 30, 2022 an amount of \$274,795 is due and payable (2021 - \$nil). This amount includes total accrued interest and fees on these loans at year-end is \$10,104 (2021 - \$1,370).

11. PROPERTY SETTLEMENT

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. 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 represented the present value of future repayments using a market

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interest rate of 13%. The effective interest rate on the loan was 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 6.

12. 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, 2022, the following amounts were paid to or accrued for key management personnel \$1,083,317 (2021 - \$618,517).

Accounts payables and accrued liabilities as at September 30, 2022 include \$215,593 (2021 - \$31,973) owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

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 the Company and Layton Hipfner, the former master grower of the Company. On September 29, 2021, the Company entered into set-off agreements with the debtors to set-off the loans of \$350,000 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.

On Aug 29, 2022, the Company entered into a revolving loan facility agreement with a company that is wholly owned by its CEO. On the agreement date, the Company issued 500,000 common shares at a deemed price of \$0.175 per share to the lender for loan set-up fees. See Note 15. The outstanding loan balance at year-end is \$224,795 (2021 - \$nil), and the accrued interest at year-end is \$1,842 (2021 - \$nil). See Note 9.

13. ACQUISITION

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.

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13. ACQUISITION (continued)

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)
	<hr/> 29,900,000
Fair Value of consideration	
Common shares of PlantFuel Life Inc.	<hr/> 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.

14. ROYALTY AGREEMENT LIABILITY

As part of the acquisition of Fusion Nutrition Inc. on May 3, 2020, the Company negotiated a ten-year royalty and licensing agreement with Acenzia Inc. a supplier of Fusion. Fusion has 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.

15. EQUITY INSTRUMENTS

Share Capital

Authorized:

Unlimited number of Common shares without par value.

Unlimited number of Preferred shares without par value.

Issued: 36,828,247 common shares – On December 24, 2021, the Company completed 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 adjusted to reflect the share consolidation..

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. See Note 6.

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

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to securities laws in Canada.

15. EQUITY INSTRUMENTS (continued)

Share Capital (continued)

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. See Note 13.

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 of the Company 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.

On October 4, 2021, the Company issued 17,996 common shares of the Company for past services provided by a Consultant. The fair value of the shares was estimated based on the quoted market price of the Company's shares which resulted in fair value of \$34,552.

On November 25, 2021 the Company completed a non-brokered private placement whereby it issued 768,976 units at a price of \$1.56 per unit for gross proceeds of \$1,199,602. Each Unit is 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 24 months from the date of issuance. The Company paid finder's fees of \$68,502 and 43,912 finder's warrants to certain registered dealers. The finder's warrants are exercisable at \$1.56 per finder's warrant for a period of 12 months from the date of issuance.

On February 2, 2022 the Company issued 138,753 common shares of the Company to settle past services fees owing to a Consultant. The fair value of the shares was estimated based on the quoted market price of the Company's shares which resulted in fair value of \$76,314.

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15. EQUITY INSTRUMENTS (continued)

Share Capital (continued)

On March 1, 2022 the Company completed the first tranche of a non-brokered private placement whereby it issued 5,980,000 units at a price of \$0.50 per unit for gross proceeds of \$2,990,000. Each unit is comprised of one common share and one transferable common share purchase warrant. Each Warrant entitles the holder to purchase one additional share of the Company, at a price of \$0.62 per share for a period of 24 months from the date of issuance. The Company paid finder's fees of \$55,620 and 111,240 finder's warrants to certain registered dealers. The finder's warrants are exercisable at \$0.50 per finder's warrant for a period of 24 months from the date of issuance.

On March 9, 2022 the Company completed the final tranche of its non-brokered private placement whereby it issued an additional 771,000 units at a price of \$0.50 per unit for an additional gross proceeds of \$385,500. Each unit is comprised of one common and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company, at a price of \$0.62 per share for a period of 24 months from the date of issuance. The Company paid finder's fees of \$14,130 and 28,260 finder's warrants to certain registered dealer. The finder's warrants are exercisable at \$0.50 per finder's warrant for a period of 24 months from the date of issuance.

On August 30, 2022 the Company issued 500,000 common shares of the Company as payment for the set-up for a loan owing to the lender, a company wholly owned by the CEO of the Company. The fair value of the shares was estimated based on the quoted market price of the Company's shares which resulted in fair value of \$87,500. See Note 12.

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 36,828,247 as at September 30, 2022. 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.

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.

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15. EQUITY INSTRUMENTS (continued)

Stock option plan and stock-based compensation (continued)

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.

On April 26, 2022, the Company announced that it has granted an aggregate of 303,126 incentive stock options to certain consultants and an employee of the Company at an exercise price of \$0.63 per common share for two years.

On June 3, 2022, the Company announced that it has granted an aggregate of 2,000,000 incentive stock options to a consultant of the Company at an exercise price of \$0.22 per common share for two years.

Stock option plan and stock-based compensation (continued)

The following table summarizes the stock options outstanding and exercisable as at September 30, 2022:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life
		(\$)		(yrs)
78,333*	53,565	1.20	March 30, 2025	2.50
250,000**	187,500	2.85	March 22, 2023	0.47
183,333***	183,333	1.74	August 3, 2024	1.84
303,126***	303,126	0.63	April 26, 2024	1.57
2,000,000***	2,000,000	0.22	June 3, 2024	1.68

*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.

***Vested immediately.

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

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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, 2022, the Company recognized share-based compensation costs totaling \$672,421 (2021 - \$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 \$157,304 (2021 - \$2,141,621)

Share loans

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 the Company and Layton Hipfner, the former master grower of the Company.

On September 29, 2021, the Company entered into set-off agreements with the debtors to set-off the loans of \$350,000 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.

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 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.

In connection with the November 25, 2021, private placement the Company issued 384,488 warrants with an exercise price of \$2.40 per warrant and 43,912 with an exercise price of \$1.56 per warrant. These warrants were assigned an estimated fair value of \$337,124 and \$28,215, respectively, assigned to the warrants using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 194% and 133%, a risk-free interest rate of 1.04%, share price of \$1.38 an expected maturity of 2 and 1 years, respectively.

In connection with the March 1, 2022, private placement the Company issued 5,980,000 warrants with an exercise price of \$0.62 per warrant and 111,240 with an exercise price of \$0.50 per warrant. These warrants were assigned an estimated fair value of \$1,336,865 and \$56,225, respectively, assigned to the warrants using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 184% a risk-free interest rate of 1.37%, share price of \$0.61 an expected maturity

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of 2 years.

In connection with the March 9, 2022, private placement the Company issued 771,000 warrants with an exercise price of \$0.62 per warrant and 28,260 with an exercise price of \$0.50 per warrant. These warrants were assigned an estimated fair value of \$172,556 and \$14,780, respectively, assigned to the warrants using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 184% a risk-free interest rate of 1.36%, share price of \$0.63 an expected maturity of 2 years.

On August 3, 2022, the Company issued a total of 5,000,000 performance warrants to its primary customer, GNC Ventures ("GNC"). Each performance warrant entitles the holder to purchase one common share of the Company at a price of \$0.23 for a period of 5 years from the date of issuance. The performance warrants will only become exercisable upon the achievement of certain milestones (with 1,050,000 of the performance warrants being exercisable upon the Company having received US\$1,500,000 in total purchases from GNC during calendar 2022, 1,850,000 of the performance warrants being exercisable upon the Company having received US\$3,000,000 in total purchases from GNC during calendar 2023 and 2,100,000 of the performance warrants being exercisable upon the Company having received US\$4,000,000 in total purchases from GNC during calendar 2024).

15. EQUITY INSTRUMENTS (continued)

Warrants (continued)

For the year ended September 30, 2022, none of the milestones were achieved and therefore none of the performance warrants have vested as at September 30, 2022.

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

	Number of Warrants	Weighted Average Exercise Price (\$)
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
Issued, November 25, 2021	384,488	2.40
Issued, November 25, 2021	43,912	1.56
Issued, March 1, 2022	5,980,000	0.62
Issued, March 1, 2022	111,240	0.50
Issued, March 9, 2022	771,000	0.62
Issued, March 9, 2022	28,260	0.50
Issued, August 9, 2022	5,000,000	0.23

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Balance, September 30, 2022	13,318,900	0.66
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Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
	(\$)		(yrs)
1,000,000	2.40	February 7, 2023	0.36
384,488	2.40	November 25, 2023	1.15
43,912	1.56	November 25, 2022	0.15
5,980,000	0.62	March 1, 2024	1.42
111,240	0.50	March 1, 2024	1.42
771,000	0.62	March 9, 2024	1.44
28,260	0.50	March 9, 2024	1.44
5,000,000*	0.23	August 9, 2027	4.86

*None of the warrants have vested as at September 30, 2022.

16. 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 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, 2022. The Company is not subject to externally imposed capital requirements.

17. 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

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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.

17. 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, 2022. No provisions have been recorded in relation to any of the receivables in the table below.

	\$
1-30 days	-
More than 30 days	18,438
Total	18,438

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

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2022, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

	US Dollars
Cash	\$ 1,021
Receivables	\$ 17,025
Prepays	\$ 426,808
Accounts payable and accrued liabilities	\$ (1,839,675)
Total	\$ (1,394,821)
Effect of +/- 10% change in exchange rate	\$ (139,482)

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, 2022, the Company had a working capital deficit of \$2,966,534 (2021 surplus of \$2,621,265).

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	Older
Accounts payable and accrued liabilities	\$2,772,884	-	-	-
Lease liability	\$260,027	\$397,221	\$409,138	\$1,606,495
Secured loan	\$274,795	-	-	-
Royalty agreement	\$238,520	-	-	-
Total	\$3,546,226	\$397,221	\$409,138	\$1,606,495

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18. OPERATING SEGMENTS

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

	Years ended	
	September 30, 2022	September 30, 2021
	(\$)	(\$)
Canada	-	1,006,108
United States	907,370	46,973
	907,370	1,053,081

The Company's property plant and equipment located in Canada are in the amount of \$9,580 (2021 - \$19,986) and the property plant and equipment located in the United States of America are in the amount of \$nil (2021 - \$nil).

The Company's intangible assets located in Canada are in the amount of \$nil (2021 - \$nil) and the intangible assets located in the United States of America are in the amount of \$nil (2021 - \$27,246,952).

19. 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:

	2022	2021
	(\$)	(\$)
Loss for the year before income tax	(37,935,316)	(13,485,370)
Expected income tax expense (recovery) at 26.5%	(10,052,859)	(3,573,623)
Income tax (recovery) expense at statutory rate	-	23,947
Non-deductible expenditures	7,305,711	1,728,477
Adjustments to prior year non-capital losses and UCC balances	(1,127,191)	134,900
Rate difference on foreign subsidiary	389,493	125,129
Change in unrecognized deductible temporary differences	3,484,846	1,561,170
Income tax expense	-	-

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19. INCOME TAXES (continued)

Deferred Income Taxes

The Company's deferred income tax assets are valued using the future income tax rate of 26.5% (2021–26.5%), which is the effective rate when they are expected to be realized and are as follows:

	2022	2021
	(\$)	(\$)
Loss carry-forwards	6,224,711	2,839,693
Property, plant, and equipment	277,556	196,272
Share issue costs	81,110	62,566
	6,583,377	3,098,531
Deferred tax assets not recognized	(6,583,377)	(3,098,531)
Net deferred tax liability	-	-

Loss Carry Forwards

As at September 30, 2022, the Company's unused tax losses in Canada for which no deferred tax asset is recognized totals \$15,596,545. These losses expire as follows:

2031	35,196
2033	208,790
2034	165,701
2035	139,960
2036	53,519
2037	1,233,868
2038	1,653,416
2039	300,572
2040	2,710,306
2041	6,187,008
2042	2,908,209
	15,596,545

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

As at September 30, 2022, the Company has US non-capital loss carry forwards of approximately \$9,355,000 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.

20. COMMITMENTS AND CONTINGENCIES

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The Company has an existing lease from 2020 for its head office, and it entered into a new lease during the year for its Colorado office. Both leases are classified as operating leases.

The future minimum lease payments at September 30, 2022 are as follows:

Year	Amount (\$)
2023	409,633
2024	397,221
2025	409,138
2026	421,412
2027	434,054
2028	447,076
2029	303,953
Total	2,822,487

20. COMMITMENTS AND CONTINGENCIES (continued)

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. Several former employees of the Company have filed suit for wrongful dismissal. The Company believes the allegations are without merit and the Company intends to vigorously defend itself against these claims which total \$280,000. The claimants have proceeded with their claims to arbitration. Due to the outcome of the claims being unknown and not measurable, no contingent liability has been recorded in the consolidated financial statements.

21. SUBSEQUENT EVENTS

- a) On October 28, 2022, the Company closed the first tranche of a non-brokered private placement whereby it issued 7,777,500 units at a price of \$0.08 per unit raising gross proceeds of \$622,200. 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 a price of \$0.20 per share for a period of 36 months from the date of issuance. In the event that the Company's common shares have a closing price on the CSE (or such other exchange on which the Common Shares may be traded at such time) of greater than \$0.30 per common share for a period of 10 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the 30th day after the date on which such notice is given to the holder by the Company. The Company paid finder's fees of \$10,656 and 133,200 finder's warrants to certain registered dealer. The finder's warrants are non-transferable and exercisable at \$0.08 per finder's warrant for a period of 12 months from the date of issuance.
- b) On November 28, 2022, the Company closed the second tranche of a non-brokered private placement issuing an additional total of 2,812,500 units at a price of \$0.08 per unit raising additional gross proceeds of \$225,000. 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

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additional share of the Company at a price of \$0.20 per share for a period of 36 months from the date of issuance. In the event that the Company's common shares have a closing price on the CSE (or such other exchange on which the Common Shares may be traded at such time) of greater than \$0.30 per common share for a period of 10 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the Warrants will expire on the 30th day after the date on which such notice is given to the holder by the Company.

Brady Pyatt, CEO and a director of the Company, subscribed for 1,562,500 units through his corporation, Tasty Idea LLC.

- c) On December 8, 2022, the Company issued 565,000 common shares to settle \$79,100 in debt for past consulting services provided to the Company.
- d) On December 16, 2022, the Company closed the final tranche of a non-brokered private placement issuing additional 937,500 units at a price of \$0.08 per unit raising additional proceeds of \$75,000. 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 a price of \$0.20 per share for a period of 36 months from the date of issuance. In the event that the Company's common shares have a closing price on the CSE (or such other exchange on which the common shares may be traded at such time) of greater than \$0.30 per common share for a period of 10 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and, in such case, the warrants will expire on the 30th day after the date on which such notice is given to the holder by the Company.
- e) On December 30, 2022, the Company issued an aggregate of 5,245,649 common shares to settle \$472,108. in debt for past management and consulting services provided to the Company.

Brad Pyatt, CEO and a director of the Company received 1,857,459 shares, Brian Cavanaugh, a director of the Company received 2,257,773 shares and Mark Miller, CFO of the Company received 1,130,417 shares.

- f) On January 13, 2023, the Company granted an aggregate of 5,325,000 incentive stock options to directors, officers and consultants of the Company pursuant to its stock option plan at an exercise price of \$0.095 per common share for a period of 3 years. These Options vest as to (i) 1/3 of the Options shall vest immediately on the date of grant, (ii) 1/3 of the Options shall vest on the date that is four months from the date of grant, and (iii) 1/3 of the Options shall vest on the date that is eight months from the date of grant.