

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Financial Position

(Unaudited - in Canadian dollars)

	Notes	September 30, 2021 \$	March 31, 2021 \$
Assets			
Current assets			
Cash		2,090,790	3,456,555
Accounts receivable		890,037	—
Government remittances receivable		128,775	50,024
Inventory	4	1,225,789	—
Biological assets	5	500,267	888,772
Prepaid expenses and deposits		21,776	27,780
		4,857,434	4,423,131
Property, plant and equipment	6	23,724,139	20,687,193
		28,581,573	25,110,324
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	1,014,505	896,024
Current portion of lease liabilities	7	215,379	95,488
Current portion of long-term debt	8	6,194,450	457,500
Share capital deposits		—	105,500
		7,424,334	1,554,512
Lease liabilities	7	6,012,203	2,777,990
Long-term debt	8	4,695,000	10,514,063
		18,131,537	14,846,565
Shareholders' Equity			
Share capital	9	15,081,553	13,728,767
Share-based payments reserve	13	5,432,142	5,460,857
Deficit		(10,063,659)	(8,925,865)
		10,450,036	10,263,759
		28,581,573	25,110,324

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

(signed) "Jamie D' Alimonte" Director

(signed) "Darren Peddle" Director

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited - in Canadian dollars)

	Notes	For the three months ended September 30,		For the six months ended September 30,	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenue		1,156,930	—	1,156,930	—
Cost of sales	10	624,667	—	624,667	—
Gross profit before fair value adjustments		532,263	—	532,263	—
Fair value adjustment on sale of inventory	4	(800,690)	—	(800,690)	—
Fair value adjustment on growth of biological assets	5	6,098	—	762,377	—
Gross profit		(262,329)	—	493,950	—
Operating Expenses					
General and administration	14	210,405	127,623	446,548	232,717
Amortization	6	294,255	119,568	374,510	239,136
Share-based compensation	13	24,400	92,610	61,285	170,039
Professional fees		69,563	26,816	133,499	52,699
Marketing and sales		49,719	10,047	75,552	20,407
Research and development		27,023	2,076	47,730	2,076
Transaction costs		171,910	—	191,425	—
		847,275	378,740	1,330,549	717,074
Operating loss		(1,109,604)	(378,740)	(836,599)	(717,074)
Interest income (expense), net	7,8,10	(221,000)	(40,577)	(426,195)	(80,940)
Rental income	7,10	62,500	62,500	125,000	125,000
Net income (loss) and comprehensive income (loss)		(1,268,104)	(356,817)	(1,137,794)	(673,014)
Weighted average number of common shares - basic		121,671,149	167,115,439	133,245,926	167,115,439
Weighted average number of common shares - diluted		121,671,149	167,115,439	133,245,926	167,115,439
Income (loss) per share - basic		(0.01)	(0.00)	(0.01)	(0.00)
Income (loss) per share - diluted		(0.01)	(0.00)	(0.01)	(0.00)

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

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Changes in Equity

(Unaudited - in Canadian dollars)

		Number of	Share	Share-based	Deficit	Total
For the six months ended September 30, 2020	Notes	common shares	capital amount	payments reserve		
			\$	\$	\$	\$
Balance, March 31, 2020		167,115,439	11,486,629	5,076,754	(7,693,710)	8,869,673
Shares issued	9	—	—	—	—	—
Shares cancelled		—	—	—	—	—
Share-based payments	13	—	—	170,039	—	170,039
Net loss		—	—	—	(673,014)	(673,014)
Balance, September 30, 2020		167,115,439	11,486,629	5,246,793	(8,366,724)	8,366,698

		Number of	Share	Share-based	Deficit	Total
For the six months ended September 30, 2021	Notes	common shares	capital amount	payments reserve		
			\$	\$	\$	\$
Balance, March 31, 2021		171,681,566	13,728,767	5,460,857	(8,925,865)	10,263,759
Shares issued on private placement	9	2,458,000	1,212,786	—	—	1,212,786
Shares cancelled	9	(52,507,547)	—	—	—	—
Stock options exercised	9	200,000	140,000	(90,000)	—	50,000
Share-based payments	13	—	—	61,285	—	61,285
Net income		—	—	—	(1,137,794)	(1,137,794)
Balance, September 30, 2021		121,832,019	15,081,553	5,432,142	(10,063,659)	10,450,036

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

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Cash Flows
(Unaudited - in Canadian dollars)

	For the six months ended	
	September 30,	
	2021	2020
	\$	\$
Cash used in operating activities:		
Net income (loss) for the period	(1,137,794)	(673,014)
Items not affecting cash		
Amortization	374,510	239,136
Share-based compensation	61,285	170,039
Amortization of deferred financing fees	19,554	—
Accretion on lease liability	155,930	80,425
Fair value adjustment on sale of inventory	800,690	—
Fair value adjustment on growth of biological assets	(762,377)	—
Changes in non-cash working capital		
Decrease (increase) in:		
Accounts receivable	(890,037)	(23,542)
Government remittances receivable	(78,751)	88
Inventory	(812,332)	—
Biological assets	161,075	—
Prepaid expenses and deposits	6,004	(4,809)
Increase (decrease) in:		
Accounts payable and accrued liabilities	668,539	631,640
	(1,433,704)	419,963
Cash used in investing activity		
Purchase of property, plant and equipment	(737,680)	(3,427,120)
Cash used in financing activities		
Payment of lease liabilities	(250,000)	(125,000)
Proceeds from (repayments of) long-term debt	(101,667)	3,066,735
Share capital deposits	—	179,750
Issuance of share capital, net of cash issuance costs	1,157,286	—
	805,619	3,121,485
Net increase (decrease) in cash	(1,365,765)	114,328
Cash, beginning of period	3,456,555	1,443,259
Cash, end of period	2,090,790	1,557,587

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

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and six months ended September 30, 2021 and 2020

(Unaudited - in Canadian dollars)

1. Nature of operations

Greenway Greenhouse Cannabis Corporation (the "Company") is licensed to cultivate, process and sell (B2B) under the Cannabis Act, having obtained a standard nursery licence on July 24, 2020 and a standard cultivation licence on February 5, 2021. The Company's majority shareholder is Sunrite Greenhouses Ltd.

The address of the Company's registered office is 1478 Seacliff Drive, Kingsville, Ontario N9Y 2M2.

These financial statements were approved and authorized for use by the Board of Directors on November 24, 2021.

2. Basis of presentation

a) Statement of compliance

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended March 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of presentation and measurement

These condensed interim financial statements have been prepared on a going concern basis under the historical cost convention except for biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c) Functional currency

All figures presented in the financial statements are reflected in Canadian dollars, which is the Company's functional currency.

Foreign currency transactions are translated to the functional currency of the Company at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three and six months ended September 30, 2021 and 2020
(Unaudited - in Canadian dollars)

3. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended March 31, 2021. For comparative purposes, the Company has reclassified certain immaterial items on the condensed interim statements of financial position and the condensed interim statements of income (loss) and comprehensive income (loss) to conform with the current period's presentation.

4. Inventory

The following is a summary of inventory activity for the six months ended September 30, 2021:

Balance at March 31, 2021	-
Transferred from biological assets on harvest	2,290,663
Processing costs capitalized	305,058
Inventory sold – cash and amortization costs	(569,242)
Biological transformation adjustment relieved from inventory	(800,690)
Balance at September 30, 2021	\$ 1,225,789

5. Biological assets

Biological assets are comprised of cannabis plants undergoing biological transformation. The changes in the carrying value of biological assets are as follows:

Balance at March 31, 2020	-
Biological transformation adjustment	487,877
Growing costs capitalized	400,895
Balance at March 31, 2021	888,772
Biological transformation adjustment	762,377
Growing costs capitalized	1,139,781
Transferred to inventory upon harvest	(2,290,663)
Balance at September 30, 2021	\$ 500,267

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to sell per gram.

Greenway Greenhouse Cannabis Corporation
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For the three and six months ended September 30, 2021 and 2020
(Unaudited - in Canadian dollars)

5. Biological assets (continued)

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from the flowering stage to the point of harvest and assumes the value of clones is nominal.

The following table quantifies each significant unobservable input:

	September 30, 2021	March 31, 2021
Weighted average expected loss of plants until harvest	1%	1%
Expected dry-bud yield (average grams per plant)	200 - 300 grams	200 - 300 grams
Expected number of growing weeks	14 - 18 weeks	14 - 18 weeks
Estimated selling price of dry bud (per gram)	\$1.20	\$1.40
Post-harvest cost to complete and sell (per gram)	\$0.19	\$0.25

These estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

The following table presents the effect of a 10% change in each respective input on the fair valuation of biological assets at September 30, 2021 which would be reported on the statements of loss and comprehensive loss:

	September 30, 2021	March 31, 2021
	\$	\$
Weighted average expected loss of plants until harvest	596	901
Expected dry-bud yield (average grams per plant)	59,027	88,880
Expected number of growing weeks	53,661	56,269
Estimated selling price of dry bud (per gram)	64,417	86,654
Post-harvest cost to complete and sell (per gram)	11,503	15,477

Greenway Greenhouse Cannabis Corporation
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6. Property, plant, and equipment

	Land	Greenhouse	Building	Warehouse equipment	Leasehold improvements	Production equipment	Office furniture and computer equipment	Right-of-use assets	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
March 31, 2020	562,300	7,484,506	203,600	101,800	5,086,287	—	22,877	3,042,478	16,503,848
Additions	—	—	—	—	5,249,328	106,477	6,599	—	5,362,404
March 31, 2021	562,300	7,484,506	203,600	101,800	10,335,615	106,477	29,476	3,042,478	21,866,252
Additions	—	—	—	—	50,687	77,448	115,857	3,448,174	3,692,166
Adjustment	—	—	—	—	(56,370)	—	—	—	(56,370)
September 30, 2021	562,300	7,484,506	203,600	101,800	10,329,932	183,925	145,333	6,490,652	25,502,048
Accumulated amortization									
March 31, 2020	—	449,070	15,270	12,216	—	—	12,104	139,447	628,107
Amortization	—	299,380	10,180	8,144	70,420	4,259	6,445	152,124	550,952
March 31, 2021	—	748,450	25,450	20,360	70,420	4,259	18,549	291,571	1,179,059
Amortization	—	149,690	5,090	4,072	284,634	5,808	1,657	147,899	598,850
September 30, 2021	—	898,140	30,540	24,432	355,054	10,067	20,206	439,470	1,777,909
Net book value									
March 31, 2020	562,300	7,035,436	188,330	89,584	5,086,287	—	10,773	2,903,031	15,875,741
March 31, 2021	562,300	6,736,056	178,150	81,440	10,265,195	102,218	10,927	2,750,907	20,687,193
September 30, 2021	562,300	6,586,366	173,060	77,368	9,974,878	173,858	125,127	6,051,182	23,724,139

Of the amortization incurred in the three and six months ended September 30, 2021, \$294,255 and \$374,510, respectively, has been allocated to operating expenses (September 30, 2020 - \$119,568 and \$239,136), \$73,779 and \$144,201 to biological assets (September 30, 2020 - \$nil and \$nil), and \$40,069 and \$80,139, respectively, to inventory (September 30, 2020 - \$nil and \$nil).

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7. Lease liabilities

The Company leases two facilities: a greenhouse facility from Via Verde Hydroponics Ltd., a company related by way of common ownership with the majority shareholder of the Company, and an indoor nursery facility from Sunrite Greenhouses Ltd., the majority shareholder. Both leases mature on April 30, 2039.

March 31, 2020	\$	2,963,867
Lease payments		(250,000)
Interest expense		159,611
March 31, 2021		2,873,478
Additions		3,448,174
Lease payments		(250,000)
Interest expense		155,930
September 30, 2021	\$	6,227,582

The Company used a weighted average incremental borrowing rate of 5.50% at the date of the initial application.

A maturity analysis of lease liabilities as at September 30, 2021 is as follows:

	\$
Year ending March 31, 2022	275,000
Year ending March 31, 2023	550,000
Year ending March 31, 2024	550,000
Year ending March 31, 2025	550,000
Year ending March 31, 2026	550,000
Thereafter	7,220,833
	9,695,833
Interest due over the term of the lease	3,468,251
	6,227,582
Less Current portion	215,379
	6,012,203

Greenway Greenhouse Cannabis Corporation
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(Unaudited - in Canadian dollars)

8. Long-term debt

	September 30, 2021	March 31, 2021
	\$	\$
Bank Credit Facility - \$6,100,000 - Canadian prime interest rate plus an applicable margin, 3-year term, with a 10-year amortization, repayable in principal plus interest payments, due in December 2022	5,998,333	6,100,000
Subordinated Credit Facility - \$4,900,000 - 5.50%, with a 10-year amortization commencing April 2022	4,900,000	4,900,000
Other	40,000	40,000
	10,938,333	11,040,000
Deduct		
Unamortized financing fees on bank credit facility	48,883	68,437
Principal portion included in current liabilities	6,194,450	457,500
	4,695,000	10,514,063

Total scheduled long-term debt repayments are as follows:

	\$
Next 12 months	905,833
2 years	5,808,839
3 years	490,000
4 years	490,000
5 years	490,000
Thereafter	2,753,661
Balance of obligation	10,938,333

The bank credit facility of \$6,100,000 was entered into on December 18, 2019 and is secured by a first charge on all assets of the Company. Currently the interest rate is prime + 2.0%. Under the terms of the facility, the Company must satisfy certain restrictive covenants which were not met at September 30, 2021. Accordingly, the balance has been presented in current liabilities. The Company has received a waiver for these covenants until December 31, 2021. Financing fees of \$74,955 were incurred related to this debt. These costs have been deferred and are amortized over the term of the debt.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
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(Unaudited - in Canadian dollars)

The subordinated credit facility of \$4,900,000 is owed to the majority shareholder, Sunrite Greenhouses Ltd. and is secured by a second charge on all assets of the Company. Payments on the subordinated facility are interest-only until April 1, 2022.

During the three and six months ended September 30, 2021, interest expense on long-term debt of \$135,591 and \$270,386, respectively, (September 30, 2020 - \$nil and \$nil) and deferred financing fees of \$9,778 and \$19,554, respectively, (2020 - \$nil and \$nil) were recognized on the statements of loss and comprehensive loss.

9. Share capital

Authorized

An unlimited number of common shares

Issued

There are 121,832,019 common shares issued and outstanding at September 30, 2021 (March 31, 2021 - 171,681,566). Shares issued during the period ended September 30, 2021 were as follows:

Activity

During the six-month period ended September 30, 2021, the Company issued 2,458,000 common shares at \$0.50 per share for proceeds of \$1,229,000. Share issuance costs during that period amounted to \$16,214.

During the six-month period ended September 30, 2021, the majority shareholder of the Company surrendered 52,507,547 common shares of the Company for no consideration which were subsequently cancelled.

During the six-month period ended September 30, 2021, 200,000 common shares were issued from the exercise of stock options with an exercise price of \$0.25 per share for proceeds of \$50,000. Additionally, \$90,000 has been transferred from share-based payments reserve to share capital.

10. Related party transactions

Key management personnel are the officers and directors of the Company. Management and directors' fees and share-based compensation for the three and six months ended September 30, 2021 are summarized as follows:

	For the three months ended September 30		For the six months ended September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and directors' fees	52,910	15,471	98,127	33,766
Share-based compensation	24,400	49,075	48,800	98,150
	77,310	64,546	146,927	131,916

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three and six months ended September 30, 2021 and 2020
(Unaudited - in Canadian dollars)

10. Related party transactions (continued)

The Company identifies the following as related parties:

Company	Description	Relationship
Sunrite Greenhouses Ltd.	Hydroponic Cultivation	Majority Shareholder of the Company
Via Verde Hydroponics Ltd.	Hydroponic Cultivation	Common Ownership with Majority Shareholder
Del Fresco Produce Ltd.	Produce Marketer	Common Ownership with Majority Shareholder
Delfresco Express Ltd.	Produce Distribution	Common Ownership with Majority Shareholder

The Company shares certain economic resources with related parties resulting in the following expenses billed in the three and six-month periods ended September 30, 2021 and September 30, 2020, from related parties:

Description	Company		For the three months ended September 30,		For the six months ended September 30,
			2021	2020	2020
			\$	\$	\$
General labour	Via Verde Hydroponics Ltd.	Cost of sales	167,415	-	519,504
General labour	Sunrite Greenhouses Ltd.	Cost of sales	26,775	-	107,479
Utilities	Via Verde Hydroponics Ltd.	Cost of sales	51,975	-	143,912
Administrative wages	Del Fresco Produce Ltd.	General and administration	15,226	-	20,846
Insurance	Via Verde Hydroponics Ltd.	General and administration	9,400	-	15,100
Property taxes	Via Verde Hydroponics Ltd.	General and administration	-	-	-
Executive wages	Del Fresco Produce Ltd.	General and administration	43,800	14,670	64,017
Interest	Sunrite Greenhouses Ltd.	Interest expense	67,375	-	134,750

The Company has entered into a lease for approximately 57,000 square feet of greenhouse and warehouse space with Via Verde Hydroponics Ltd. The lease agreement commenced May 1, 2019 and the annual rent is \$250,000. The corresponding leased asset has been recorded as a right-of-use asset as described in Note 6.

The Company has an operating lease agreement with its majority shareholder, Sunrite Greenhouses Ltd., to whom it leases approximately 667,000 square feet of greenhouse and warehouse space. The operating lease agreement is a 12-month term (May 1 to April 30) and is renewed annually. The annual rent is \$250,000 and is paid monthly.

As of September 30, 2021 there was a balance owing to related parties of \$565,375 (March 31, 2021 - \$nil) included in accounts payable and accrued liabilities.

Related party transactions were made in the normal course of business and have been recorded at the exchange amounts.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and six months ended September 30, 2021 and 2020

(Unaudited - in Canadian dollars)

11. Income taxes

No deferred tax provision is required for the period ended September 30, 2021 as the Company continues to sustain losses and deductible temporary differences remain unrecognized.

12. Capital management

The Company's objective is to maintain sufficient capital base so as to maintain investor and creditor confidence and to sustain future development of the business and safeguard the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity and debt. Since inception, the Company has primarily been financed through long-term debt and the issuance of share capital.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is subject to financial covenants as a result of its loans (see note 8). Other than these items related to loans payable, as of September 30, 2021 and 2020, the Company is not subject to externally imposed capital requirements.

The Company currently has not paid any dividends to its shareholders.

13. Stock options

During the six-month period ended September 30, 2021 and year ended March 31, 2021, the Company granted options subject to certain performance and time-based vesting conditions to directors, officers, employees, and consultants as follows:

	Number of Options	Weighted average exercise price \$
March 31, 2020	12,233,500	0.32
Granted during the year	1,020,940	0.50
Forfeited during the year	(3,100,000)	0.26
March 31, 2021	10,154,440	0.35
Granted during the period	178,560	0.50
Exercised during the period	(200,000)	0.25
Outstanding at September 30, 2021	10,133,000	0.36
Exercisable at September 30, 2021	9,443,740	0.35

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three and six months ended September 30, 2021 and 2020
(Unaudited - in Canadian dollars)

13. Stock options (continued)

The details of the Company's outstanding options as at September 30, 2021 are as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price \$
September 22, 2024	5,800,000	5,600,000	0.25
September 22, 2024	4,333,000	3,843,740	0.50
Balance, September 30, 2021	10,133,000	9,443,740	0.35

The fair value of options was determined using the following Black-Scholes Option Pricing Model with the following assumptions:

		September 30,	
		2021	2020
Share price	\$	0.50	\$ 0.50
Exercise price	\$	0.50	\$ 0.50
Expected life		3 years	3 - 4 years
Volatility		70%	53%
Dividend yield		0%	0%
Risk – free interest rate		0.23%	0.23% - 0.73%

During the three and six months ended September 30, 2021, the Company recognized \$24,400 and \$61,285, respectively, (September 30, 2020 -\$92,610 and \$170,039) in share-based compensation in connection with the options granted.

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(Unaudited - in Canadian dollars)

14. General and administrative expenses

	For the three months ended		For the six months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Management and directors' fees	52,910	15,471	98,127	33,766
Office and general	86,872	19,895	136,941	24,469
Salaries and wages	61,223	75,369	123,549	120,639
Insurance	9,400	-	22,600	-
Repairs and maintenance	-	16,888	65,331	53,843
	210,405	127,623	446,548	232,717

In the three months ended September 30, 2021, the Company reclassified repairs and maintenance to cost of sales.

15. Earnings (loss) per share

The calculation of earnings (loss) per share for the six months ended September 30, 2021 and 2020 is calculated as follows:

	2021	2020
Basic loss per share:		
Net income (loss) for the period	\$ (1,137,794)	\$ (673,014)
Average number of common shares outstanding during the period	133,245,926	167,115,439
Earnings (loss) per share - basic	\$ (0.01)	\$ (0.00)
	2021	2020
Diluted loss per share:		
Net income (loss) for the period	\$ (1,137,794)	\$ (673,014)
Average number of common shares outstanding during the period	133,245,926	167,115,439
"In the money" options outstanding during the period (i)	-	-
	133,245,926	167,115,431
Earnings (loss) per share - diluted	\$ (0.01)	\$ (0.00)

(i) 5,800,000 in-the-money stock options (2020 - 9,000,000) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive.

16. Risk Management

16.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a) Capital risk

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

b) Interest rate risk

The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at September 30, 2021, the Company had invested no such funds in liquid investments.

The Company's Bank Credit Facility (note 8) currently bears interest at the Canadian prime rate plus 2%. An increase in the prime rate by 0.5% would increase the Company's annual interest expense by approximately \$30,000.

c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

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16. Risk Management (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its cash requirements. As at September 30, 2021, the most significant financial liabilities are accounts payable and accrued liabilities, lease liability and long-term debt.

As at September 30, 2021, the Company's financial liabilities have contractual maturities as summarized below:

	Due within less than 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,014,505	-	-	-	-	1,014,505
Lease liabilities	275,000	550,000	550,000	550,000	4,302,582	6,227,582
Long-term debt	6,194,450	530,000	490,000	490,000	3,233,883	10,938,333
	7,483,955	1,080,000	1,040,000	1,040,000	7,536,465	18,180,420

e) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

16.2 Fair Values

The carrying values of cash, government remittances receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity. For long-term liabilities, fair value approximates their carrying value at the fiscal year end as the interest rates used to discount these contracts approximate market rates.

Assets and liabilities are classified in their entirety based on the lowest level in input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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17. Subsequent Events

On November 23, 2021, the Company announced an intention to complete a non-brokered private placement of up to 7,272,727 units (the "Units") in the capital of the Company at an issuance price of \$1.10 per Unit for aggregate gross proceeds of up to \$8,000,000. Each Unit will consist of one common share (the "Common Shares") and one common share purchase warrant (the "Warrants") with each Warrant being exercisable for one Common Share at an exercise price of \$1.65 for a period of nine months from the date of issuance, subject to adjustment upon certain customary events.