Astron Connect Inc. (formerly Exalt Capital Corp.)

Consolidated Financial Statements

For the Years Ended

September 30, 2018 and 2017

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF ASTRON CONNECT INC. (FORMERLY EXALT CAPITAL CORP.)

We have audited the accompanying consolidated financial statements of Astron Connect Inc., which comprise the consolidated statements of financial position as at September 30, 2018 and 2017 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Astron connect Inc. as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 25, 2019

ASTRON CONNECT INC. (FORMERLY EXALT CAPITAL CORP.)
Consolidated Statements of Financial Position
As at September 30
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
Current Assets			
Cash		2,885,437	357,557
Trade and other receivables	5,17	227,890	21,711
Short-term investments		-	338,098
Inventory	6	75,313	53,573
Prepaid expenses		70,280	11,690
		3,258,920	782,629
Deposits		30,370	30,370
Property and equipment	7	121,537	117,609
Intangible assets	8	160,578	198,163
Total Assets		3,571,405	1,128,771
Current Liabilities			
Accounts payable and accrued liabilities	9,12	202,041	170,525
Lease Inducement		30,806	49,734
Deferred revenue		35,040	-
Due to related party	12	150,000	-
		417,887	220,259
Shareholders' Equity			
Share capital	10	6,006,234	1,299,500
Reserves		244,993	-
Deficit		(3,097,709)	(390,988)
		3,153,518	908,512
Total Liabilities and Shareholders' Equity		3,571,405	1,128,771

Approved on behalf of the Board of Directors:

"Iris Duan"	*" S.Randall Smallbone"*
Director	Director

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC. (FORMERLY EXALT CAPITAL CORP.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended September 30, 2018	Year Ended September 30, 2017
		$	$
Sales		849,104	727,070
Cost of sales	6	688,521	410,651
Gross profit		160,583	316,419
Expenses			
Advertising and promotion expenses		64,931	122,039
Amortization	7,8	81,058	1,369
Consulting expenses		130,475	46,026
Filling expenses		4,276	-
Meeting and conference expense		46,254	64,219
Office expenses		142,039	98,705
Professional fees		115,528	4,870
Rental expenses		231,831	80,092
Salary and benefits		371,206	159,641
Selling and distribution expenses		21,652	99,225
Stock based compensation	10	109,253	-
Foreign exchange gain (loss)		(1,094)	12,594
Listing expenses	4	1,550,231	-
		2,867,640	688,780
Loss from operations		(2,707,057)	(372,361)
Other income		336	882
Net loss and comprehensive loss for the year		(2,706,721)	(371,479)
Loss per common share			
Basic and fully diluted		(0.08)	(0.01)
Weighted average number of common shares outstanding		35,955,619	26,565,727

See accompanying notes to the consolidated financial statements.

ASTRON CONNECT INC. (FORMERLY EXALT CAPITAL CORP.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the years ended September 30, 2018 and 2017

	Shares	Amount	Reserves	Share subscriptions receivable	Deficit	Total
		$	$	$	$	$
September 30, 2016	23,919,440	300,000	-	(200,000)	(19,509)	80,491
			-			
Shares issued for cash	4,744,022	890,000	-	-	-	890,000
Share subscriptions received	-	-	-	200,000	-	200,000
Shares issued for intangible asset	436,530	109,500	-	-	-	109,500
Net loss for the year	-	-	-	-	(371,479)	(371,479)
September 30, 2017	29,099,992	1,299,500	-	-	(390,988)	908,512
Shares issued for Reverse Take-Over	5,500,000	1,210,000	126,065	-	-	1,336,065
Concurring financing, net of share issurance costs	14,600,492	3,153,809	-	-	-	3,153,809
Fair value of agents' warrants issued	-	(9,675)	9,675	-	-	-
Fair value of finders' shares issued	1,602,727	352,600	-	-	-	352,600
Stock based compensation	-	-	109,253	-	-	109,253
Net loss for the year	-	-	-	-	(2,706,721)	(2,706,721)
September 30, 2018	50,803,211	6,006,234	244,993	-	(3,097,709)	3,153,518

ASTRON CONNECT INC. (FORMERLY EXALT CAPITAL CORP.)
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
OPERATING ACTIVITIES			
Net loss for the year		(2,706,721)	(371,479)
Items not affecting cash:			
Amortization	7,8	81,058	1,369
Stock based compensation		109,253	-
Listing expenses		1,504,846	-
Unrealized foreign exchange		211	12,594
Lease Inducements		(18,928)	49,734
Changes in other working capital:			
Trade and other receivables		(198,031)	(21,711)
Inventory		(21,740)	4,572
Prepaid expenses		(58,590)	12,750
Accounts payable and accrued liabilities		16,658	162,727
Deferred revenue		35,040	(161,117)
Cash (used in) operating activities		(1,256,944)	(310,561)
INVESTING ACTIVITIES			
Cash received on reverse take over transaction	4	190,531	-
Short-term investments		338,098	(338,098)
Acquisition of property and equipment	7	(47,401)	(117,609)
Acquisition of intangible assets	8	-	(84,210)
Cash provided by (used in) investing activities		481,228	(539,917)
FINANCING ACTIVITIES			
Net proceeds from shares issued for cash	10	3,153,809	890,000
Share subscription received		-	200,000
Loan received from related party		150,000	-
Cash provided by financing activities		3,303,809	1,090,000
Increase in cash		2,528,093	239,522
Cash, beginning		357,557	130,629
Foreign exchange effect on cash		(211)	(12,594)
Cash, ending		2,885,439	357,557

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Astron Connect Inc. (formerly Exalt Capital Corp.) (the “Company”) was incorporated on February 20, 2017 under the Business Corporations Act (British Columbia). In October 2017, the Company listed as a capital pool company (“CPC’) as defined by the policy 2.4 (the “CPC policy”) of the TSX Venture Exchange (the “TSX-V” or the “Exchange”). On October 10, 2017, the Company’s common shares effectively commenced trading on the Exchange under the symbol “EXT-P”. On August 24, 2018, the Company changed its name from Exalt Capital Corp. to Astron Connect Inc. and began trading under the Symbol “AST”.

On August 28, 2018, the Company completed its qualifying transaction (the “Transaction”) to acquire Sachiel Connect Inc. (“Sachiel Connect”) which was approved by the Exchange. 1148535 B.C. Ltd, a wholly owned subsidiary of the Company acquired all of the issued and outstanding securities of Sachiel Connect from its shareholders at an exchange ratio of approximately 7.97 common shares of the Company for each Sachiel Connect common share. This resulted in the Company issuing 29,099,992 common shares to the shareholders of Sachiel Connect.

On August 28, 2918, 1148535 B.C. Ltd. and Sachiel Connect were amalgamated as one company under the name Sachiel Holdings Ltd. (“Sachiel Holdings). Sachiel Holdings remains a wholly owned subsidiary of the Company.

As a result of the transaction, the former shareholders of Sachiel Connect acquired control of the Company. Therefore, the transaction is considered as a reverse take-over and these financial statements represents a continuation of the business of Sachiel Connect (note 4). The Company has ceased to be a capital pool company pursuant to the Transaction.

Sachiel Connect was incorporated under the Business Corporations Act on July 28, 2016. The Company is engaged primarily in the business of distribution and sale of beverage and food products in Canada, China and Africa. On May 10, 2017, the Company incorporated a wholly owned subsidiary, Sachiel Water Inc. under the Business Corporations Act.

The principal and registered office of the Company is at 2300 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the board of directors on January 25, 2019.

b) Basis of preparation

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The Company is in an early stage of commercialization and will be required to attain profitability or generate additional financing as needed. These financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

As at September 30, 2018, the Company had working capital of $2,841,033 (2017: $562,370) and an accumulated deficit of $3,097,709 (2017: $390,988) since inception. During the year ended September 30, 2018, the Company incurred a net and comprehensive loss of $2,706,721 (2017: $371,479).

2. BASIS OF PRESENTATION (continued)

b) Basis of preparation (continued)

Management's current strategy is to focus on expanding its market share of the beverage and food products industry in China and emerging market, at the same time exercising careful cost control to sustain operations in the near term. Management recognizes the Company's need to increase its cash reserves in the coming year if it intends to adhere to its sales and marketing plans and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible equity or debt financing. Although management intends to assess and act on these options through the course of the year, there can be no assurance that the steps management takes will be successful.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3(c). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

d) Functional and presentation currency

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

e) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3(o).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments to all periods presented that would have a material impact on these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements.

Entity	Country of incorporation	Ownership
Sachiel Holdings Ltd.	Canada	100%
Sachiel Water Inc.	Canada	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency translation

Transactions denominated in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

c) Financial instruments

(i) Financial assets

All financial assets are initially recorded at fair value and classified at inception into one of the following categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables or available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income/loss, except for losses in value that are considered other than temporary, which are recognized in profit or loss.

The Company classifies cash and short-term investments as FVTPL, and trade and other receivables, as loans and receivables.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified in this category unless they are designated as hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company’s accounts payable and accrued liabilities and due to related party are classified as other financial liabilities.

Transactions costs associated with financial assets/liabilities at FVTPL are expensed as incurred. Transaction costs associated with all other financial assets/liabilities are included in the initial carrying amount of the asset/liability.

d) Short-term investments

Short-term investments are fixed term deposits held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, and are recorded at fair value.

As at September 30, 2018, the Company had $nil (2017: $338,098) in short-term investments. As at September 30, 2017, short-term investments comprise two guaranteed investment certificates (“GIC”) which matured in March 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

f) Inventory

Inventory, comprising raw materials and finished goods, is stated at the lower of cost and net realizable value. The cost of inventories is determined on a weighted-average basis. Cost of finished goods comprise raw materials and cost of delivery to the Company's distribution centres, including freight, non-refundable taxes and other landing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, which would impair the value of inventory on hand. An allowance for obsolete, slow-moving or defective inventories is made where necessary.

g) Depreciation

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property and equipment includes the acquisition costs and any direct costs to bring the asset into productive use at its intended location.

Depreciation of property and equipment is calculated using the straight-line method to write-off the cost, net of any estimated residual value, over their estimated useful life as follows:

Leasehold improvements	Lease term
Office equipment	3 years
Furnitures	3 years

h) Intangible assets

Intangible assets include trademark, website and water use rights.

Water use rights represent lease and exclusive use of and access to fresh water bottling facilities. Water use rights are carried at cost less accumulated amortization. Amortization of water use rights is amortized over the term of 10 years using the straight-line method.

Trademark and website represent the expenditures incurred. Website is amortized over the term of 3 years using the straight-line method. Trademark is indefinite life intangible assets and are measured at cost less any accumulated impairment losses.

Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

i) Impairment

(i) Financial assets

Financial assets not carried at FVTPL are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated by reference to the higher of the value in use and fair value less costs to sell. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment (continued)

(ii) Non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in profit or loss.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j) Revenue recognition

The Company generates its revenue from the sale of beverage and food products. Sales are recognized when the significant risks and rewards of ownership have been transferred, generally at the date the customer receives the products. Deferred revenue represents customer deposits received in advance of delivery of products.

k) Income 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/loss.

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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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 initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

Deferred tax assets are reviewed at the end of the reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

m) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

n) Stock based compensation

The Company follows the fair value method of accounting for share options. Compensation expense is recorded for share options over the vesting period with a corresponding increase to reserve. The fair value of the share options is measured at grant date, using Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The forfeiture rate assumption is based on historical results and the annualized volatility is based on comparable companies' historical share prices.

The amount recognized as expense is adjusted to reflect the number of share options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserve. Stock based compensation to non-employees are measured at the fair value of the 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.

o) Significant accounting estimates and judgments

Significant assumptions about the future and key sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

Critical accounting estimates

(i) Impairment of long-lived assets

Determining the amount of impairment of long-lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company's long-term assets, such as leasehold improvements, trademark, website and water use rights.

(ii) Allowances for doubtful accounts and bad debts

The Company makes estimates for allowances that represent estimate of potential losses in respect of trade and other receivables. An allowance for doubtful accounts is estimated based on management's assessment of the credit history with the customer and current relationships with them. Estimates used to determine the amount of allowance required involve uncertainties.

(iii) Reserve for inventory obsolescence

In determining the lower of cost or net realizable value of inventory, the provision for inventory obsolescence is estimated based on a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, if required. Refer to note 5 for more information.

(iv) Stock-based compensation

Stock-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black - Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. stock based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

(v) Current and deferred taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

(vi) Fair value of consideration in reverse take-over transaction

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised common shares. Common shares were valued on the date of issuance. The Company applied IFRS 2 Share-based Payment in accounting for the Transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

Critical accounting judgments

(i) Evaluation of the Company's ability to continue as a going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended September 30, 2018 and 2017. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

p) New accounting standards issued, but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretation Committee that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard effective for annual periods beginning on October 1, 2018

(i) IFRS 2 Share-based Payment (Amendment)

In June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company. Management does not expect this amendment to have a significant impact to the Company's consolidated financial statements.

(ii) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards issued but not yet effective (continued)

(ii) IFRS 15 Revenue from Contracts with Customers (continued)

Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates.

The standard is effective for annual periods beginning on October 1, 2018 either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. Management does not expect the adoption of IFRS 15 to have a significant impact on the Company's consolidated financial statements.

(iii) IFRS 9 Financial Instruments

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The effective date of IFRS 9 is for annual periods beginning on October 1, 2018, and must be applied retrospectively with some exemptions permitted. Management does not expect the adoption of IFRS 9 to have a significant impact on the Company's consolidated financial statements.

Standard effective for annual periods beginning on October 1, 2019

(i) IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on October 1, 2019, with earlier adoption permitted. The extent of the impact of adoption of IFRS 16 has not yet been determined.

(Expressed in Canadian dollars)

4. REVERSE TAKE-OVER TRANSACTION

On August 28, 2018, the Company completed the Transaction to acquire Sachiel Connect. 1148535 B.C. Ltd, a wholly owned subsidiary of the Company acquired all of the issued and outstanding securities of Sachiel Connect from its shareholders at an exchange ratio of approximately 7.97 common shares of the Company for each Sachiel Connect common share. This resulted in the Company issuing 29,099,992 common shares to the shareholders of Sachiel Connect.

As a result of the Transaction, the former shareholders of Sachiel Connect acquired control of the Company. Therefore, the transaction is considered as a reverse take-over (“RTO”).

The Transaction is recorded in accordance with guidance provided in IFRS 2 Share-based Payments and IFRS 3 Business Combinations. As the Company did not qualify as business according to the definition in IFRS 3, this Transaction does not constitute a business combination; rather it is treated as an issuance of shares by Sachiel Connect for the net assets of the Company, with the resulting difference representing the acquisition of a listing status.

In connection with the Transaction, a finder’s fee was paid through the issuance of 1,602,727 common shares at the deemed price of $0.22 per share for an aggregate value of $352,600.

In accordance with the RTO accounting, the fair value of the share issuance of 5,500,000 common shares of Exalt was determined to be $0.22 per common share, based on the estimated fair value at the acquisition date. The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:

Identifiable Net Assets	$
Cash	190,531
Trade and other receivables	8,149
Accounts payable and accrued liabilities	(14,860)
Net Assets	183,820
Transaction Costs	
Shares issued	1,210,000
Stock Options granted	71,223
Agent w arrants granted	54,842
	1,336,065
Cash costs of the acquistion	45,386
Finder's fee in common shares	352,600
Total listing expenses	1,734,051
Listing expense, net of identifiable net assets	1,550,231

Stock options deemed granted of $71,223 representing the fair value of the existing options, and $54,842 representing the fair value of the existing agent warrants retained by the Company. The $0.22 per share value for the abovementioned shares was based on the fair value from the concurrent private placement. The fair value of the options and warrants was based on an application of the Black Scholes option pricing model using the following assumptions: volatilities of 133% and 139% for the options and agent warrants, respectively, a weighted average annual risk-free interest rate of 2.20%, nil dividend yield, and expected lives of 3.75 and 1.13 years for the options and agent warrants, respectively.

In addition, the Company incured additional transaction costs other than finder’s fee of $45,386.

(Expressed in Canadian dollars)

5. TRADE AND OTHER RECEIVABLES

	September 30, 2018	September 30, 2017
	$	$
Trade receivables	188,100	3,886
Other receivables	39,790	17,825
	227,890	21,711

6. INVENTORY

	September 30, 2018	September 30, 2017
	$	$
Raw materials	68,201	45,535
Finished goods	7,112	8,038
	75,313	53,573

The cost of inventory recognized as cost of sales during the year ended September 30, 2018 was $688,521 (2017 - $410,651). There were no write-downs of inventories nor any reversals of write-downs for all periods presented.

7. PROPERTY AND EQUIPMENT

Cost	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
	$	**$**	**$**	$
September 30, 2016	-	-	-	-
Additions	117,609	-	-	117,609
September 30, 2017	117,609	-	-	117,609
Additions	-	32,122	15,279	47,401
September 30, 2018	117,609	32,122	15,279	165,010

Accumulated amortization	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
September 30, 2017 and 2016	-	-	-	-
Additions	27,673	10,707	5,093	43,473
September 30, 2018	27,673	10,707	5,093	43,473

Net book value	**Leasehold improvements**	**Furniture**	**Office equipment**	**Total**
September 30, 2017	117,609	-	-	117,609
September 30, 2018	89,936	21,416	10,186	121,537

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

Cost	Water Use Rights	Website	Trademark	Total
	$	$	$	$
September 30, 2016	-	-	5,822	5,822
Additions	109,500	79,905	4,305	193,710
September 30, 2017	109,500	79,905	10,127	199,532
Additions	-	-	-	-
September 30, 2018	109,500	79,905	10,127	199,532

Accumulated amortization	Water Use Rights	Website	Trademark	Total
September 30, 2016	-	-	-	-
Additions	1,369	-	-	1,369
September 30, 2017	1,369	-	-	1,369
Additions	10,949	26,636	-	37,585
September 30, 2018	12,318	26,636	-	38,954

Net book value	Water Use Rights	Website	Trademark	Total
September 30, 2017	108,131	79,905	10,127	198,163
September 30, 2018	97,182	53,269	10,127	160,578

On August 15, 2017, the Company signed a Lease and Exclusive Water Use Rights Agreement (the "Agreement") with Canshield Global Capital Inc. ("Canshield") to lease and grant exclusive use of and access to Canshield's water license for fresh water bottling at Haven Spring. The Company paid a one-time lump sum of $109,500, which has been paid by the issuance of 436,530 common shares at an estimated fair value of $0.25 per share. The term of Agreement is ten years.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	September 30, 2017
	$	$
Trade accounts payable	152,723	151,748
Salary and benefits payable	49,318	18,777
	202,041	170,525

10. SHARE CAPITAL

a) Authorized:

Unlimited number of voting common shares without par value.

b) Share transactions during the years ended September 30, 2018 and 2017 are as follows:

All figures as to the numbers of common shares, as well as loss per share in these consolidated financial statements have be retroactively restated to reflect the legal capital of the Company at an exchange ratio of 1 Sachiel Connect shares to 7.97 shares of the Company.

On August 28, 2018, the Company closed the Transaction and deemed issued 5,500,000 common shares at price of $0.22 per share for amount of $1,210,000.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

b) Share transactions during the years ended September 30, 2018 and 2017 are as follows (continued):

Concurrent with the Transaction, the Company completed a non-brokered private placement by issuing 13,377,265 common shares at the price of $0.22 per share for proceeds of $2,942,998 and a brokered private placement by issuing 1,223,227 common shares at a price of $0.22 per share for proceeds of $269,110. The Company incurred $58,299 in cash share issuance cost and issued agent warrants fair valued at $9,675 in connection with the private placements.

Concurrent with the Transaction, a finder's fee was paid by the issuance of 1,602,727 common shares at the deemed price of $0.22 per share for an aggregated value of $352,600 (see note 4).

On January 30, 2017, the Company issued 2,391,000 common shares at price of $0.1255 per share for total proceeds of $300,000.

On April 28, 2017, the Company issued 2,353,022 common shares at price of $0.25 per share for total proceeds of $590,000.

On August 15, 2017, the Company issued 436,530 common shares at a fair value of $0.25 per share to Canshield (see note 8).

During fiscal year 2017, $200,000 was received on amounts receivable from a share issuance on July 28, 2018.

c) Stock options

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option granted under the Plan shall not be less than the market value of the shares as at the grant date and vesting provisions for issued options are determined at the discretion of the Board of Directors.

A summary of stock option activities for the years is as follows:

	Number of options	**Weighted-average exercise price**
		$
Balance, September 30, 2016 and 2017	-	-
Options granted on Reverse Take-over	400,000	0.22
Options granted	2,050,000	0.30
Balance, September 30, 2018	2,450,000	0.29

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

c) Stock Options (continued)

As at September 30, 2018, the Company has the following options outstanding and exercisable:

Outstanding as at September 30, 2018				Exercisable as at September 30, 2018				
Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
400,000	$	0.22	3.65	400,000	$	0.22	3.65	May 25, 2022
2,050,000		0.30	4.99	512,500		0.30	4.99	September 26, 2023
2,450,000	$	0.29	4.77	912,500	$	0.26	4.40	

On September 26, 2018, the Company granted 2,050,000 options to directors, officers, employees and consultants. Each option can be exercisable into one common share of the Company at a price of $0.30 per share for five years from the date of grant. Options are exercisable with 25% of stock options vesting on the date of grant, and 25% each on the first, second and third anniversary of the date of grant respectively. The average grant date fair value of the options was $0.21 using the Black-Scholes option pricing model using the following assumptions: Expected life – 3 years; Volatility – 164%; Interest rate – 2.22%; Dividend yield – nil; Forfeiture rate – nil; stock price - $0.22.

d) Warrants

The warrants that are issued and outstanding as at September 30, 2018 and 2017 are as follows:

	Number of warrants		Weighted-average Exercise price	Weighted-average Years to expiry	Expiry date
Balance, September 30, 2016 and 2017	-		-	-	-
Agents warrants issued on Reverse take-over	350,000	$	0.10	1.03	October 10, 2019
Issued agent warrant	73,395	$	0.22	1.91	August 28, 2020
Balance, September 30, 2018	423,395	$	0.12	1.18	

On August 28, 2018, the Company granted 73,395 agents' warrants of the Company in connection to the brokered private placement. Each warrant can be exercisable into one common share of the Company at a price of $0.22 per share for two years from the date of grant. The average grant date fair value of the options was $0.16 using the Black-Scholes option pricing model using the following assumptions: Expected life – 2 years; Volatility – 117%; Interest rate – 1.78%; Dividend yield – nil; Forfeiture rate – nil; stock price - $0.22.

(Expressed in Canadian dollars)

11. INCOME TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2018	**2017**
	$	%
Loss for the year	**(2,706,721)**	(371,479)
Canadian statutory tax rate	**27%**	26%
Income tax benefit computed at statutory rates	**(730,815)**	(96,584)
Items non-deductible for income tax purposes	**430,671**	720
Change in timing differences	**1,939**	355
Unused tax losses and tax offsets not recognized in tax asset	**298,205**	95,509
Income tax benefit	**-**	-

The Company's statutory rate includes a combined Canadian federal corporate tax rate of 16% and the applicable provincial corporate tax rate of 11%.

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2018	2017
	$	$
Non-capital losses	1,495,700	374,900
Unrecognized deductible temporary differences	1,495,700	374,900

The Company's unrecognized unused non-capital losses have the following expiry dates:

	$
2036	17,500
2037	508,300
2038	969,900
	1,495,700

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of balances and transactions with directors and officers of the Company:

	2018	2017
	$	$
Transactions:		
Salaries and benefits	83,916	20,000
Stock-based compensation	53,279	-
Balances:		
Amounts owing to a director and officer*	178,917	1,982

*Includes $150,000 (2017 - $1,982) which is non interest bearing and due on demand to a director of the Company; included in accounts payable and accrued liabilities is $28,917 (2016 - $nil) payable to a director for salaries.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at their estimated fair value amounts.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The Company's financial instruments include cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities and due to shareholder loan. The carrying amounts of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities and due to shareholder loan approximate their fair values due to the short-term nature of these instruments.

The following table summarizes the carrying values of the Company's financial instruments:

	September 30, 2018	**September 30, 2017**
	$	$
Cash	2,885,437	357,557
Trade and other receivables	188,100	3,886
Short-term investments	-	338,098
Accounts payable and accrued liabilities	202,041	170,525
Due to related party	150,000	-

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Currency risk

The Company generates revenues and incurs expenses primarily in Canada and China and is exposed to risk from changes in foreign currency exchange rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risk. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At September 30, 2018, the Company had cash of $11,936 (2017: $165,162), short-term investments of $nil (2017: $37,253), trade and other receivables of $4,660 (2017: $3,849), and accounts payable and other payable of $30,591 (2017: $27,702), which are denominated in US dollars. For the year ended September 30, 2018, the Company’s sensitivity analysis suggests that a change in the absolute rate of exchange in US dollars by 10% will increase or decrease comprehensive loss by approximately $1,400 (2017: $17,856).

b) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on short-term investments is insignificant, as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s cash, short-term investments and trade and other receivables. The Company limits its exposure to credit risk on cash by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables, as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and the consolidated financial statements take into account an allowance for bad debts.

There were no overdue trade receivables outstanding as at September 30, 2018 and 2017 and collection is reasonably assured.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2018, the Company had a working capital of $2,841,033 (2017: $562,370). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

(Expressed in Canadian dollars)

15. CAPITAL MANAGEMENT

The Company has defined its capital as share capital, reserves and accumulated deficit.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed during the year. These objectives and strategies are reviewed on a continuous basis.

16. ECONOMIC DEPENDENCE

The Company operates in a single reportable operating segment: in the business of distribution and sale of beverage and food products in Canada. All long-term assets are held in Canada.

During the year ended September 30, 2018, the sales with two customers provided 75% of total sales (the Company has one customer that consists of 96.9% of total sales in year 2017). As at September 30, 2018, $184,492 (2017: $3,849) of the trade and other receivables relates to these customers.

17. COMMITMENTS

The Company has a lease agreement for office space with a term expiring in 2022 and a lease for warehouse space with a term expiring in 2021.

The aggregate minimum rental payments under these arrangement are as follows:

	$
2019	231,831
2020	231,831
2021	226,721
2022	42,629
Total	733,012