
Astron Connect Inc.

**Consolidated Financial Statements
For the Years Ended
September 30, 2019 and 2018
(Expressed in Canadian Dollars)**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ASTRON CONNECT INC.

Opinion

We have audited the consolidated financial statements of Astron Connect Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2019 and 2018;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 24, 2020

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

	Note	2019	2018
		\$	\$
Current Assets			
Cash and cash equivalents		1,320,643	2,885,437
Trade and other receivables	5	54,291	227,890
Inventory	6	132,395	75,313
Prepaid expenses	6	125,711	70,280
		1,633,040	3,258,920
Deposits		30,370	30,370
Property and equipment	7	80,525	121,537
Intangible assets	8	122,992	160,578
Total Assets		1,866,927	3,571,405
Current Liabilities			
Accounts payable and accrued liabilities	9,12	93,645	202,041
Lease Inducement		19,104	30,806
Deferred revenue		212,274	35,040
Due to related party	12	-	150,000
		325,023	417,887
Shareholders' Equity			
Share capital	10	6,006,234	6,006,234
Reserves		389,829	244,993
Deficit		(4,854,159)	(3,097,709)
		1,541,904	3,153,518
Total Liabilities and Shareholders' Equity		1,866,927	3,571,405

Approved on behalf of the Board of Directors:

"Iris Duan"
Director

"S.Randall Smallbone"
Director

ASTRON CONNECT INC.
Consolidated Statements of Operations and Comprehensive Loss
Years Ended September 30
(Expressed in Canadian Dollars)

		2019	2018
		\$	\$
Sales		1,276,475	849,104
Cost of sales	6	1,040,653	688,521
Gross profit		235,822	160,583
Expenses			
Advertising and promotion expenses		100,796	64,931
Amortization	7,8	82,288	81,058
Bad debt	5	215,131	-
Consulting expenses		140,305	130,475
Director fees	12	261,250	-
Filing expenses		25,324	4,276
Meeting and conference expense		46,534	46,254
Office expenses		161,965	142,040
Professional fees		48,968	115,528
Rental expenses		226,159	231,831
Salary and benefits	12	525,328	371,206
Selling and distribution expenses		39,216	21,652
Stock based compensation	10,12	144,836	109,253
Foreign exchange gain (loss)		-	(1,095)
Listing expense	4	-	1,550,231
		2,018,100	2,867,640
Loss from operations		(1,782,278)	(2,707,057)
Interest income		25,828	336
Net loss and comprehensive loss for the year		(1,756,450)	(2,706,721)
Loss per common share			
Basic and fully diluted		(0.03)	(0.08)
Weighted average number of common shares outstanding		50,803,211	35,955,619

See accompanying notes to the consolidated financial statements.

ASTRON CONNECT INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the years ended

	Shares	Amount \$	Reserves \$	Deficit \$	Total \$
September 30, 2017	29,099,992	1,299,500	-	(390,988)	908,512
Share issued for Reverse Take-Over	5,500,000	1,210,000	126,065	-	1,336,065
Concurring financing, net of share issuance 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
Stock based compensation	-	-	144,836	-	144,836
Net loss for the year	-	-	-	(1,756,450)	(1,756,450)
September 30, 2019	50,803,211	6,006,234	389,829	(4,854,159)	1,541,904

See accompanying notes to the consolidated financial statements

ASTRON CONNECT INC.
Consolidated Statements of Cash Flows
For the Years Ended September 30
(Expressed in Canadian Dollars)

	Note	2019 \$	2018 \$
OPERATING ACTIVITIES			
Net loss for the year		(1,756,450)	(2,706,721)
Items not affecting cash:			
Amortization	7,8	82,288	81,058
Bad debt		215,131	-
Stock based compensation		144,836	109,253
Listing expense		-	1,504,846
Unrealized foreign exchange		-	211
Lease inducements		(11,702)	(18,928)
Changes in other working capital:			
Trade and other receivables		(41,532)	(198,031)
Inventory		(57,082)	(21,740)
Prepaid expenses		(55,431)	(58,590)
Accounts payable and accrued liabilities		(108,396)	16,658
Deferred revenue		177,234	35,040
Cash (used in) operating activities		(1,411,104)	(1,256,944)
INVESTING ACTIVITIES			
Cash received on reverse take over transaction	4	-	190,531
Short-term investments		-	338,098
Acquisition of property and equipment	7	(3,690)	(47,401)
Cash provided by (used in) investing activities		(3,690)	481,228
FINANCING ACTIVITIES			
Net proceeds from shares issued for cash	10	-	3,153,809
Proceeds from (repaid to) related party		(150,000)	150,000
Cash provided by (used in) financing activities		(150,000)	3,303,809
(Decrease) Increase in cash and cash equivalent		(1,564,794)	2,528,093
Cash and cash equivalents, beginning		2,885,437	357,557
Foreign exchange effect on cash		-	(213)
Cash and cash equivalents, ending		1,320,643	2,885,437
Cash and cash equivalents consist of the followings:			
Cash		254,484	2,885,437
Term deposits		1,066,159	-
		1,320,643	2,885,437

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Astron Connect Inc. (the "Company") was incorporated on February 20, 2017 under the Business Corporations Act (British Columbia). The Company is engaged primarily in the business of distribution and sale of beverage and food products in Canada, China and Emerging markets. 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, 2018, 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 consolidated 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.

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").

Effective October 1, 2018 the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 9 and 15 were adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in note 3.

As a result of the application of IFRS 15, the Company changed its accounting policies for the recognition of revenue as described in note 3.

These consolidated financial statements were approved and authorized for issue by the board of directors on January 24, 2020.

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 consolidated 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, 2019, the Company had working capital of \$1,308,017 (2018: \$2,841,033) and an accumulated deficit of \$4,854,159 (2018: \$3,097,709) since inception. During the year ended September 30, 2019, the Company incurred a net and comprehensive loss of \$1,756,450 (2018: \$2,706,721).

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

Classification

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL).

The financial instruments' classification under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value plus transaction costs directly attributable to the asset/liability, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of operations and comprehensive loss.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of operations and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of operations and comprehensive loss.

Impairment

Since October 1, 2018, the Company prospectively estimates the expected credit losses associated with the debt instruments accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) as allowed by IFRS 9 under the simplified method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

Derecognition

Financial assets

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of operations and comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Cash and Cash equivalents

Cash and cash equivalents includes cash at banks and on hand, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

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 original purchase costs 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) Property and equipment

Property and equipment is stated at cost less accumulated amortization 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.

Amortization 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
Furniture	3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Water use rights are 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 with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash Generating Unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 of the asset 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition

Revenue is recognized by applying the five-step model under IFRS 15. The Company recognizes revenue when, or as the goods or services are transferred to the control of the customer and performance obligations are satisfied.

The Company generates its revenue from the sale of beverage and food products. The Company's revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled. The amounts recognized as revenue represent the fair value of the consideration received or receivable from third parties on the sales of goods, net of goods and services taxes and less returns, and discounts, at which time there are no conditions for the payment to become due other than the passage of time. Deferred revenue represents customer deposits received in advance of delivery of products.

Performance obligations are satisfied at the point in time when products are delivered based on the volumes to customers at contractual delivery points, and prices have been agreed to with the purchaser and collectability is reasonably assured. Delivery is generally freight on board destination unless specified otherwise in the contract.

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.

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 financing cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

Critical accounting estimates (continued)

(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 6 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) 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.

(vi) Current and deferred taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments 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.

(vii) Useful lives of long-lived assets

Following initial recognition, the Company carries the long-lived assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the long-lived resulting in a change in related amortization expense.

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, 2019. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Significant accounting estimates and judgments (continued)

(ii) Transaction to acquire Sachiel Connect

The determination of the acquirer in the Transaction is subject to judgement and requires the Company to determine which party obtains control of the combining entities. Management applies judgement in determining control by assessing the following three factors: whether the Company has power over Sachiel Connect; whether the Company has exposure or rights to variable returns from its involvement with Sachiel Connect; and whether the Company has the ability to use its powers over Sachiel Connect to affect the amount of its returns. In exercising this judgement, Sachiel Connect was deemed to be the acquirer in the Transaction.

Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion. The Transaction was accounted for as a reverse asset acquisition and the difference between the fair value of net assets acquired and the consideration paid was recorded as a listing expense.

p) New accounting standards adopted

IFRS 15 Revenue from contracts with customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations such as IFRIC 13 *Customer Loyalty Programs*. IFRS 15 introduces a single contract-based five-step model that applies to contracts with customers and two approaches for the recognition of revenue: at a point in time or over time. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits from the good or service.

The Company has adopted IFRS 15 on the required effective date of October 1, 2018, using the modified retrospective approach. The Company has evaluated the impact of applying IFRS 15 by performing a comprehensive review of existing sale contracts, control processes and revenue recognition methodology. The Company concluded the adoption of the new standard did not result in any adjustment in the amounts previously recognized in the consolidated statements of financial position. As well, the timing in the recognition of revenue was not impacted by the new standard. Consequently, neither the consolidated statement of operations and comprehensive loss, consolidated statement of changes in shareholders' equity nor consolidated statement of cash flows were adjusted.

IFRS 9 Financial instruments

IFRS 9, *Financial Instruments* ("IFRS 9") sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards adopted (continued)

IFRS 9 Financial instruments (continued)

The following table presents the initial IAS 39 classification and the new IFRS 9 classification for all financial instruments held by the Company as at October 1, 2018.

Financial assets and liabilities	IAS 39 classification	IFRS 9 classification
Cash and cash equivalents	FVTPL	FVTPL
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

The adoption of this standard did not have a material impact to the Company's consolidated financial statements. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

q) 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.

(i) IFRS 16 Leases ("IFRS 16")

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 the Company's annual periods beginning on October 1, 2019, with earlier adoption permitted. The impact of this standard will result in additional right of use asset of \$404,379 and a lease liability of \$423,483 included in the consolidated statement of financial position. The asset will be amortized over the term of the remaining lease period and the liability will be discounted at a rate of 10%.

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 price of \$0.22 per share for an aggregate fair value of \$352,600.

4. REVERSE TAKE-OVER TRANSACTION (continued)

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 warrants granted	54,842
	1,336,065
Cash costs of the acquisition	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 incurred additional transaction costs other than finder's fee of \$45,386.

5. TRADE AND OTHER RECEIVABLES

	September 30, 2019	September 30, 2018
	\$	\$
Trade receivables	23,586	188,100
Other receivables	30,705	39,790
	54,291	227,890

During the year 2019, the Company recorded bad debt expense of \$215,131 (2018: \$nil).

6. INVENTORY

	September 30, 2019	September 30, 2018
	\$	\$
Raw materials	128,880	68,201
Finished goods	3,515	7,112
	132,395	75,313

The cost of inventory recognized as cost of sales during the year ended September 30, 2019 was \$1,040,653 (2018: \$688,521). There were no write-downs of inventories nor any reversals of write-downs for all periods presented. Prepaid expenses included prepaid amounts for inventory of \$66,539 (2018: \$37,821).

7. PROPERTY AND EQUIPMENT

Cost	Leasehold improvements	Furniture	Office equipment	Total
	\$	\$	\$	\$
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
Additions	-	-	3,690	3,690
September 30, 2019	117,609	32,122	18,969	168,700

Accumulated amortization

September 30, 2017	-	-	-	-
Additions	27,673	10,707	5,093	43,473
September 30, 2018	27,673	10,707	5,093	43,473
Additions	27,673	10,707	6,322	44,702
September 30, 2019	55,346	21,414	11,415	88,175

Net book value	Leasehold improvements	Furniture	Office equipment	Total
September 30, 2018	89,936	21,415	10,186	121,537
September 30, 2019	62,263	10,708	7,554	80,525

8. INTANGIBLE ASSETS

Cost	Water Use Rights	Website	Trademark	Total
	\$	\$	\$	\$
September 30, 2017	109,500	79,905	10,127	199,532
Additions	-	-	-	-
September 30, 2018	109,500	79,905	10,127	199,532
Additions	-	-	-	-
September 30, 2019	109,500	79,905	10,127	199,532
Accumulated amortization				
September 30, 2017	1,369	-	-	1,369
Additions	10,949	26,636	-	37,585
September 30, 2018	12,318	26,636	-	38,954
Additions	10,950	26,636	-	37,586
September 30, 2019	23,268	53,272	-	76,540
Net book value				
September 30, 2018	97,182	53,269	10,127	160,578
September 30, 2019	86,232	26,633	10,127	122,992

On August 15, 2017, the Company signed a Lease and Exclusive Water Use Rights Agreement (the "Agreement") with Canshield Global Capital Inc. ("Canshield"), a third party, 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, 2019	September 30, 2018
	\$	\$
Trade accounts payable	51,036	152,723
Salary and benefits payable	42,609	49,318
	93,645	202,041

10. SHARE CAPITAL

a) Authorized:

Unlimited number of voting common shares without par value.

b) Share transactions:

There were no share issuances during the year ended September 30, 2019.

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

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).

10. SHARE CAPITAL (continued)

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, 2017	-	-
Deemed granted option on RTO	400,000	0.22
Options granted	2,050,000	0.30
Balance, September 30, 2018	2,450,000	0.29
Options forfeited or cancelled	(220,000)	0.30
Balance, September 30, 2019	2,230,000	0.29

As at September 30, 2019 and 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	512,000	0.30	4.99	September 26, 2023
2,450,000	\$ 0.29	4.77	912,000	\$ 0.26	4.40	

Outstanding as at September 30, 2019			Exercisable as at September 30, 2019			
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	2.65	400,000	\$ 0.22	2.65	May 25, 2022
1,830,000	0.30	3.99	915,000	0.30	3.99	September 26, 2023
2,230,000	\$ 0.29	3.75	1,315,000	\$ 0.28	3.58	

10. SHARE CAPITAL (continued)

c) Stock Options (continued)

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 (2018: 3 years); Volatility: 164%-257.52% (2018: \$164%); Interest rate: 1.58%- 2.22% (2018: 2.22%); Dividend yield – nil; stock price: \$0.06-\$0.25 (2018: \$0.22).

d) Warrants

The warrants that are issued and outstanding as at September 30, 2019 and 2018 are as follows:

	Number of warrants	Weighted average Exercise price	Weighted average Years to expiry	Expiry date
Balance, September 30, 2017	-	-	-	-
Deemed issued warrant on RTO	350,000	\$ 0.10	0.03	October 10, 2019 *
Issued agent warrant	73,395	\$ 0.22	0.91	August 28, 2020
Balance, September 30, 2018	423,395	\$ 0.12	1.18	
Balance, September 30, 2019	423,395	\$ 0.12	0.18	

*these warrant expired unexercised subsequent to September 30, 2019.

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 warrants was \$0.16 using the Black-Scholes option pricing model using the following assumptions: Expected life – 2 year; Volatility – 117%; Interest rate – 1.78%; Dividend yield – nil; Forfeiture rate – nil; stock price - \$0.22.

11. INCOME TAXES

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

	2019	2018
	\$	\$
Loss for the year	(1,756,450)	(2,706,721)
Canadian statutory tax rate	27%	27%
Income tax benefit computed at statutory rates	(474,242)	(730,815)
Items non-deductible for income tax purposes	43,038	430,671
Change in timing differences	-	1,939
Unused tax losses and tax offsets not recognized in tax asset	431,204	298,205
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%.

11. INCOME TAXES (continued)

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:

	2019	2018
	\$	\$
Non-capital losses	3,047,763	1,495,636
Property and equipment	88,178	43,472
Intangible assets	76,537	38,952
Share issuance costs	81,230	108,306
Unrecognized deductible temporary differences	3,293,708	1,686,366

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

	\$
2036	10,400
2037	508,300
2038	969,900
2039	1,559,660
	3,048,260

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2019	2018
	\$	\$
<i>Transactions:</i>		
Director fees	261,250	-
Salaries and benefits	113,667	83,916
Stock based compensation	75,669	53,279
<i>Balances:</i>		
Amounts owing to a director and officer*	-	178,917

*Includes \$nil (2018: \$150,000) which is non-interest bearing and due on demand to a director of the Company; included in accounts payable and accrued liabilities is \$nil (2018: \$28,917) 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 has the following financial instruments as of September 30, 2019 and 2018:

Financial assets	Categories	September 30, 2019	September 30, 2018
		\$	\$
Cash and cash equivalents	FVTPL	1,320,643	2,885,437
Trade and other receivables (exclude GST)	Amortized cost	23,586	188,100
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	93,645	202,041
Due to related party	Amortized cost	-	150,000

The Company classifies its fair value measurements in accordance with the 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 fair value of cash and cash equivalents, trade and other receivables (excluding GST), accounts payable and accrued liabilities and due to related party approximates their carrying values as at the reporting date due to the short-term maturities of these instruments.

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, 2019, the Company had cash of \$415 (2018: \$11,936), trade and other receivables of \$nil (2018: \$4,660), and accounts payable and other payable of \$17,620 (2018: \$30,591), which are denominated in US dollars. For the year ended September 30, 2019, 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 \$2,300 (2018: \$1,400).

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 cash equivalents is insignificant, as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and cash equivalents and trade and other receivables. The Company limits its exposure to credit risk on cash and cash equivalents 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.

Except for the bad debt of \$215,131 (2018: \$Nil), there were no overdue trade receivables outstanding as at September 30, 2019 and 2018 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, 2019, the Company had a working capital of \$1,308,016 (2018: \$2,841,033). 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.

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, China and Emerging markets. All long-term assets are held in Canada.

During the year ended September 30, 2019, the sales with two customers provided 98% of total sales (2018: 75%). As at September 30, 2019, \$NIL (2018: \$184,492) 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 arrangements are as follows:

	\$
2020	247,655
2021	227,216
2022	46,585
Total	521,456

18. SUBSEQUENT EVENT

Subsequent to September 30, 2019, the Company closed a non-brokered private placement, consisting of 30,000,000 units at a price of \$0.05 per unit (the "Units") for aggregate proceeds of \$1,500,000 (the "Private Placement"). Each Unit consists of one common share of the Company and one transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one common share at an exercise price of \$0.05 for a period of one year from the date of closing of the Private Placement. Finder's fees consisting of a total of 1,500,000 non-transferable units (the "Finder's Units") have been paid in connection with the Private Placement. The Finder's Units have the same terms as the Units except that they are non-transferable. All of the above securities are subject to a statutory hold period expiring May 11, 2020.