Consolidated financial statements of

Flow Beverage Corp.

For the years ended October 31, 2021 and 2020

[expressed in Canadian dollars]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flow Beverage Corp.

Opinion

We have audited the consolidated financial statements of Flow Beverage Corp. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at October 31, 2021 and October 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2021 and 2020 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Inventories Costing – finished goods	
As at October 31, 2021, the finished goods inventories balance was $4.2 million. Inventory is recorded at the lower of cost and net realizable value. The cost for finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. Note 3 of the consolidated financial statements describes the accounting policy for inventories. Auditing the Group's inventories costing process requires significant audit effort in performing procedures to evaluate management's application of the standard cost and overhead absorption for finished goods inventory due to the inputting of various inventory cost elements and nature of the Group's process. As a result, the nature of management's process gives rise to a risk that an error may occur in the costing process for finished goods inventories.	The procedures, amongst others, performed to test the inventories costing process for finished goods, included: • We assessed the adequacy of the Group's accounting policy for inventories. • We assessed the completeness of overhead costs allocated by review of all cost accounts and recalculated the allocation to inventories on hand at year-end. • For a sample of labour and overhead costs, we examined the actual costs of direct labour and overhead by comparing the amounts to external and internal data sources such as invoices and payroll records. • For a sample of finished goods inventories, we agreed the raw material costs to external data sources, namely third-party invoices. • We obtained management's over/under absorption analysis and recalculated the allocation of labour and overhead cost to inventories to the actual costs incurred.

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 30, 2022

Flow Beverage Corp.
Consolidated statements of financial position
[expressed in Canadian dollars]

As at	Notes	**October 31, 2021 $**	October 31, 2020 $
ASSETS			
Current assets			
Cash		**51,566,955**	18,244,638
Trade and other receivables	20	**8,693,402**	2,976,899
Inventories	5	**8,934,025**	9,343,665
Prepaid expenses		**3,365,476**	5,080,487
		72,559,858	35,645,689
Non-current assets			
Deposits		**115,300**	195,366
Right-of-use assets, net	6	**25,680,427**	32,304,247
Property and equipment, net	7	**32,956,755**	19,924,424
Intangible assets, net	8	**1,588,734**	1,843,439
TOTAL ASSETS		**132,901,074**	89,913,165
LIABILITIES			
Current liabilities			
Trade and other payables	20	**15,563,262**	17,000,471
Deferred revenue		**16,644**	51,923
Lease obligations	6	**3,309,502**	4,746,973
Borrowings	9	**18,274,326**	6,746,307
Convertible debentures	10	**—**	4,685,665
		37,163,734	33,231,339
Non-current liabilities			
Lease obligations	6	**20,917,135**	23,445,452
Borrowings	9	**4,645,289**	20,871,756
Convertible debentures	10	**—**	1,411,642
Derivative liability	10	**—**	505,687
		62,726,158	79,465,876
SHAREHOLDERS' EQUITY			
Share capital	11	**87,026,834**	134,224,940
Warrants	12	**11,976,400**	2,177,308
Contributed surplus	13	**171,811,237**	9,672,075
Foreign currency translation reserve		**(4,185,352)**	(1,426,296)
Deficit		**(196,454,203)**	(134,200,738)
		70,174,916	10,447,289
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**132,901,074**	89,913,165
Commitments and contingencies	17		
Subsequent events	24		

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

Signed "Nicholas Reichenbach", Director *Signed "Joseph Jackman", Director*

Flow Beverage Corp.
Consolidated statements of loss and comprehensive loss
[expressed in Canadian dollars, except number of shares]

For the years ended October 31,	Notes	2021 $	2020 $
Net revenue	15	**42,697,547**	22,962,308
Cost of revenue	5	**31,390,486**	21,671,279
Gross profit		**11,307,061**	1,291,029
Operating expenses			
Sales and marketing		**9,910,992**	5,306,210
General and administrative		**15,700,421**	16,128,324
Salaries and benefits		**15,624,183**	9,728,546
Amortization and depreciation	6, 7, 8	**1,962,881**	2,077,905
Share-based compensation	13	**18,290,947**	7,570,596
		61,489,424	40,811,581
Loss before the following		**(50,182,363)**	(39,520,552)
Other income		**(87,829)**	(685,750)
Finance expense, net	22	**6,267,941**	6,738,718
Foreign exchange loss (gain)		**508,411**	(16,698)
Reverse take-over costs	4	**2,588,786**	—
Restructuring and other costs	23	**2,793,793**	2,592,525
Loss before income taxes		**(62,253,465)**	(48,149,347)
Income tax expense	16	**—**	—
Net loss for the year		**(62,253,465)**	(48,149,347)
Other comprehensive loss			
Exchange loss on translation of foreign operations		**(2,759,056)**	(886,950)
Comprehensive loss		**(65,012,521)**	(49,036,297)
Loss per share - basic and diluted	14	**$ (1.40)**	$ (1.48)
Weighted average number of shares outstanding - basic and diluted	14	**44,518,162**	32,611,304

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

Flow Beverage Corp.
Consolidated statements of changes in shareholders' equity
For the years ended October 31, 2021 and 2020
[expressed in Canadian dollars, except number of shares]

	Share capital		Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total
	#	$	$	$	$	$	$
Balance as at October 31, 2019	27,845,415	68,499,895	1,007,414	3,947,495	(539,346)	(86,051,391)	(13,135,933)
Share issuance [note 11]	8,321,785	54,029,945	1,159,623	243,463	—	—	55,433,031
Conversion of debt [note 10]	1,546,656	8,453,029	—	(556,840)	—	—	7,896,189
Options exercised [note 13]	94,333	485,195	—	(292,695)	—	—	192,500
Warrants exercised [note 12]	500	5,546	(546)	—	—	—	5,000
Warrants expired [note 12]	—	—	(513,886)	513,886	—	—	—
Issuance of warrants with debt round [note 9]	—	—	524,703	—	—	—	524,703
Share issuance on acquisition of assets [note 11]	150,000	997,500	—	—	—	—	997,500
Share-based compensation [note 11]	279,525	1,753,830	—	5,816,766	—	—	7,570,596
Comprehensive loss	—	—	—	—	(886,950)	(48,149,347)	(49,036,297)
Balance as at October 31, 2020	38,238,214	134,224,940	2,177,308	9,672,075	(1,426,296)	(134,200,738)	10,447,289
Share issuance [note 11]	13,214,682	90,777,793	10,092,584	2,226,314	—	—	103,096,691
Share issuance on qualifying transaction [note 4]	121,203	933,263	—	—	—	—	933,263
Conversion of debt [note 10]	150,087	805,053	—	(54,618)	—	—	750,435
Warrants exercised [note 12]	141,230	997,849	(186,204)	—	—	—	811,645
Warrants expired [note 12]	—	—	(118,638)	118,638	—	—	—
Warrants issued [notes 9 and 12]	—	—	11,350	—	—	—	11,350
Share issuance on RSU release [note 13]	919,267	6,979,627	—	(6,979,627)	—	—	—
Options exercised [note 13]	540,712	2,108,039	—	(1,262,222)	—	—	845,817
Share-based compensation [notes 11 and 13]	179,132	1,265,324	—	17,025,623	—	—	18,290,947
Reduction of stated capital [note 11]	—	(151,065,054)	—	151,065,054	—	—	—
Comprehensive loss	—	—	—	—	(2,759,056)	(62,253,465)	(65,012,521)
Balance as at October 31, 2021	**53,504,527**	**87,026,834**	**11,976,400**	**171,811,237**	**(4,185,352)**	**(196,454,203)**	**70,174,916**

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

Flow Beverage Corp.
Consolidated statements of cash flows
[expressed in Canadian dollars]

For the years ended October 31,	**2021**	2020
	$	$
Cash flows used in operating activities		
Net loss for the year	**(62,253,465)**	(48,149,347)
Adjustments to reconcile net loss to net cash used in operating activities		
Unrealized foreign exchange loss (gain)	**(47,002)**	9,819
Other non-cash income	**(52,324)**	(170,541)
Amortization and depreciation	**5,274,039**	3,927,006
Share-based compensation	**18,290,947**	7,570,596
Reverse take-over costs	**933,263**	—
Finance expense	**6,267,941**	6,738,417
	(31,586,601)	(30,074,050)
Changes in non-cash working capital items:		
Trade and other receivables	**(5,766,618)**	1,527,853
Prepaid expenses	**1,725,843**	(3,538,426)
Inventories	**1,016,255**	5,539,335
Trade and other payables	**6,758,794**	(6,954,568)
Deferred revenue	**(35,279)**	51,923
Cash flows used in operating activities	**(27,887,606)**	(33,447,933)
Cash flows used in investing activities		
Purchase of equipment	**(8,005,095)**	(4,725,493)
Purchase of intangible assets	**—**	(250,000)
Proceeds from net investment in lease	**—**	20,188
Cash flows used in investing activities	**(8,005,095)**	(4,955,305)
Cash flows provided by financing activities		
Repayment of shareholder loans	**—**	(300,000)
Proceeds from borrowings	**872,047**	13,009,219
Repayment of borrowings	**(7,831,476)**	(3,652,240)
Proceeds from issuance of common shares	**95,030,107**	55,878,481
Proceeds from exercise of stock options	**845,817**	192,500
Proceeds from exercise of warrants	**811,645**	5,000
Payment of lease obligations	**(14,042,516)**	(9,866,339)
Repayment of convertible debt	**(6,470,606)**	(644,537)
Cash flows provided by financing activities	**69,215,018**	54,622,084
Net change in cash during the year	**33,322,317**	16,218,846
Cash, beginning of the year	**18,244,638**	2,025,792
Cash, end of the year	**51,566,955**	18,244,638

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

[expressed in Canadian dollars, except share amounts]

1 Nature of business

Flow Beverage Corp. [the "Company" or "Flow"], formerly RG One Corp. ["RG One"] up to the completion of the Amalgamation, as defined below, is engaged in the business of extraction, value-added packaging and sale of water in Canada and the United States.

The Company was incorporated on October 30, 2014, under the *Canada Business Corporations Act* ["CBCA"]. The Company's registered office is 155 Industrial Parkway South, Unit 7-10, Aurora, Ontario, Canada, L4G 3G6.

On April 7, 2021, Flow Water Inc. ["Flow Water"] entered into a Business Combination Agreement ["BCA"] with RG One and RG One Subco Inc. ["RG One Subco"], a wholly owned subsidiary of RG One formed solely for the purpose of completing the Amalgamation, pursuant to which Flow Water and RG One Subco agreed to amalgamate in accordance with the provisions of the CBCA [the "Amalgamation"] [see note 4].

2 Basis of preparation

Statement of compliance

These consolidated financial statements ["Financial Statements"] have been prepared on a going concern basis in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on January 30, 2022.

Basis of measurement

The Financial Statements have been prepared on a historical cost basis. Historical costs are generally based on the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment* ["IFRS 2"] and measurements that have some similarities to fair value but are not fair value, such as value in use in International Accounting Standard ["IAS"] 36, *Impairment of Assets*.

Basis of consolidation

The Financial Statements comprise the financial statements of the Company and its wholly owned subsidiaries:

Entity	**Country**	**Ownership percentage October 31, 2021**	**Ownership percentage October 31, 2020**
		%	**%**
Flow Water Inc.	Canada	100	100
Flow Beverages Inc.	US	100	100
2446692 Ontario Limited	Canada	100	100
Flow Glow Beverages Inc.	Canada	100	100
Flow Beverages (Switzerland) SA	Switzerland	100	—

Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

Functional currency and presentation currency

These Financial Statements are presented in Canadian dollars. Flow's functional currency is Canadian dollars and the functional currencies of the Company's wholly owned subsidiaries are as follows:

Flow Water Inc.	Canadian dollars
Flow Beverages Inc.	US dollars
2446692 Ontario Limited	Canadian dollars
Flow Glow Beverages Inc.	Canadian dollars
Flow Beverages (Switzerland) SA	Swiss francs

Foreign currency translation

Foreign currency transactions are translated into functional currencies at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

On consolidation, assets and liabilities of operations with a functional currency other than Canadian dollars are translated into Canadian dollars at period-end foreign currency rates. Revenue and expenses of such operations are translated into Canadian dollars at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive loss in the consolidated statements of loss and comprehensive loss. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

Use of estimates and judgments

The preparation of these Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In early 2020, the novel coronavirus disease ["COVID-19"] was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its Financial Statements, including with respect to the valuation of the credit risk of its counterparties and determination of whether indicators of impairment exist for its tangible and intangible assets. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods including the use of estimates and judgments, which are subject to significant uncertainty. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

- Promotional incentives

  For various promotional incentives, the Company estimates the most likely amount payable to each customer under each trade and incentive program separately using expected sales volume and historical spending patterns.

- Depreciation of property and equipment

  Depreciation of property and equipment is dependent on estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- Amortization of intangible assets

  The Company employs significant estimates to determine the estimated useful lives of intangible assets, considering the nature of the asset, contractual rights, expected use and review of asset useful lives. The Company reviews amortization methods and useful lives annually or when circumstances change and adjusts its amortization methods and assumptions prospectively.

- Trade and other receivables

  The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company has established a process to review historical credit loss experiences and assess for forward-looking factors specific to the debtors and the economic environment.

- Share-based payments

  Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected term, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

- Leases

  Values of right-of-use assets [“ROUs”] and lease liabilities require judgment in determining lease terms such as extension option and discount rate used. In the case where incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- Inventories

  Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow moving. Actual net realizable value can vary from the estimated provision.

  The cost of inventories also involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

- Co-packing revenue

  The Company enters into co-packing agreements with customers. The Company is required to make estimates regarding the total number of units to be delivered under the contract. The Company also makes estimates regarding the total consideration to which the Company expects to be entitled to in exchange for the services provided. The total consideration to which the Company expects to be entitled to can vary based on estimates regarding penalties for minimum purchase commitments, total expected units to be delivered and pricing discounts. Revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

3 Summary of significant accounting policies

Revenue recognition

The Company recognizes revenue to depict the transfer of promised goods and service to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

For sales to distributors, revenue is recognized when control of the goods has transferred to the distributor, which is dependent on specific shipping terms. Following shipping, the distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when control of the goods has transferred to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales to retailers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due at the point in which control transfers.

For co-packing services provided by the Company, revenue is recognized as the service is provided at an amount that reflects the consideration the Company expects to receive in exchange for the services provided.

The Company provides sales discounts and reductions through contract price discounts, payment terms, point of sale price reduction arrangements and customer returns and markdowns. If variable, the Company uses its accumulated historical experience to estimate the variable consideration to which it is entitled to, using the most likely outcome method. If considered highly probable that a significant reversal in the cumulative revenue recognized will not occur, such consideration shall be recognized in revenue.

The Company conducts extensive promotional activities, primarily through the use of cooperative advertising, coupons, in-store displays, slotting fees and other funded costs from retail partners. The costs of such activities are recorded as a reduction of revenue over the period in which the goods or services are transferred to the customer, to the extent the consideration is not in exchange for a distinct good or service.

The Company enters into sales agreements with customers who provide the Company trade credits in exchange for the Company's products. Trade credits are primarily used to purchase advertising services. The Company is required to estimate the fair value of the trade credits received, which includes estimates of the cost per impression based on the type of advertising channel the Company expects to utilize as part of future advertising campaigns. The fair value of the trade credits received are recognized in prepaid expenses.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less estimated costs necessary to make the sale.

The cost for finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. The cost of purchase comprises the purchase price, non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of goods. Inventory allowances are recorded in the period in which management determines the inventory to be obsolete or impaired.

Property and equipment

The Company's property and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset.

Depreciation is recorded using straight-line and declining balance methods as detailed below on an annual basis, with the exception of land, which is not depreciated:

Equipment	5 – 19 years straight-line
Furniture and fixtures	20% declining balance
Leasehold improvements	Lesser of 10 to 25 years straight-line and lease term

The Company assesses an asset's residual value, useful life and depreciation method on an annual basis and if any events have indicated a change and makes adjustments, if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in the consolidated statements of loss and comprehensive loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. Separately acquired intangible assets are measured at cost on initial recognition. An intangible asset with a finite life is amortized over the useful economic life on a straight-line basis. Each reporting period the useful lives of such assets are reviewed. Amortization is recorded over the estimated useful lives as outlined below:

Domain name	5 years
Trademark	5 – 15 years
Intellectual property	10 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the consolidated statements of loss and comprehensive loss over its estimated useful life.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statements of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose 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 assets or groups of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Government assistance

Government assistance is recognized when there is reasonable assurance it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs it is intended to subsidize. When the government assistance relates to depreciable assets, the value of the grant is deducted from the carrying amount of the asset. The grant is recognized over the life of the depreciable asset as a reduced depreciation expense.

Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] [a] as a result of a past event; [b] when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and [c] when a reliable estimate can be made of the amount of the obligation.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent it is not probable sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates [and tax laws] that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively.

The Company has not recognized deferred tax assets as at October 31, 2021 and 2020, as it is not considered probable at this time that the assets can be recovered.

Share-based payments

For equity-settled plans, expense is based on the fair value of the awards granted, calculated on the grant date, with a corresponding increase in equity. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The Company uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options and warrants. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option or warrant, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option or warrant realized from the original estimate. The assumptions and estimates used are outlined in the share-based compensation note.

The Company has equity-settled RSU plans for various members of management and the Board of Directors. The units are awarded at no cost to the recipient and the fair market value determined at the grant date is expensed over the vesting period. Subsequent to the listing of the shares on the Toronto Stock Exchange ("TSX"), the fair market value of the award is based on the volume-weighted average trading price for the shares on the TSX for the five trading days immediately preceding the grant date. RSU expense is recognized over the vesting period with a related credit to contributed surplus. Flow recognizes the expense based on the best available estimate of the number of RSUs expected to vest and revises the estimate if necessary. Upon share issuance of RSU release, the contributed surplus balance is reduced through a credit to share capital.

Where the terms of an equity-settled award are modified, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement as measured at the date of modification. The additional expense recognized is calculated as the incremental increase in fair value of the modified stock options compared to the original terms as at the date of modification.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. When the fair value of the goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise of additional shares from the assumed exercise or conversion of warrants, share options and convertible debt.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income [''FVOCI''], or fair value through profit and loss [''FVTPL'']. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

  A financial asset [unless it is a trade receivable without a significant financing component that is initially measured at the transaction price] is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

  The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- Financial liabilities

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

  The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

  Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

- Financial liabilities and equity instruments
    - Classification as debt or equity

      Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

    - Equity instruments

      An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

      Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Classification of financial instruments

  The Company classifies its financial assets and financial liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification

Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Convertible debentures	Amortized cost
Derivative liability	FVTPL

- Impairment of financial assets

  An expected credit loss ["ECL"] model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on a quarterly basis.

Compound financial instruments

Compound financial instruments issued by the Company comprise the debt round issued with warrants, and the convertible debentures. The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The liability component of a compound financial instrument is recognized initially at the fair value by comparison to the fair value of a liability without an equity conversion feature or equity component. The residual value is assigned to the equity component. Where there are multiple equity components, the residual value is assigned to each based on the fair values of the equity components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying values.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method, except for conversion features which fail the fixed-for-fixed criteria and are recognized as a derivative liability at FVTPL.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right of control for the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a ROU asset and a lease liability at the lease commencement date, which is the date the leased asset is available for use. The ROU asset primarily relates to equipment, plant and warehouse and is initially measured based on the initial amount of the lease liability. The lease liabilities include the net present value of the following lease payments:

- Fixed payments [including any in-substance fixed payments, less any lease incentives receivable];
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Exercise price of any purchase option if the Company is reasonably certain to exercise that option; and
- Payments for penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

ROU assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

The lease liability is classified and accounted for at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset unless it has been reduced to zero. Any further reduction in the lease liability is then recognized in profit or loss.

The Company has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Company assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease is accounted for as a net investment in finance lease. If not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, *Presentation of Financial Statements* ["IAS 1"]

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments specify that the aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current [due or potentially due to be settled within one year] or non-current.

The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* [“IAS 37”]

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IAS 16, *Property, Plant and Equipment* [“IAS 16”]

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* [“IAS 8”]

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IAS 12, *Income Taxes* [“IAS 12”]

In May 2021, the IASB issued Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IFRS 9, *Financial Instruments* [“IFRS 9”]

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

[expressed in Canadian dollars, except share amounts]

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

4 Amalgamation

On June 29, 2021, the Amalgamation was completed by way of a "three-cornered" amalgamation whereby RG One Subco amalgamated with Flow Water and RG One changed its name to "Flow Beverage Corp."

In connection with the Amalgamation the following transactions occurred:

- Prior to the transaction:
  - RG One:
    - Completed a consolidation of its share capital on a 404.84-to-1 basis. The total number of RG One common shares outstanding pre-consolidation was 39,350,001. Post-consolidation, the total number of RG One common shares was 97,191.
    - Issued 24,012 common shares, on a post-consolidation basis, for transaction related services.
    - Redesignated its authorized and issued and outstanding common shares as subordinate voting shares ["Subordinate Voting Shares"].
    - Increased its authorized capital by creating an unlimited number of multiple voting shares ["Multiple Voting Shares"].
- Flow Water completed a consolidation of its share capital on 5-to-1 basis.
- 6,214,566 post-consolidation Flow Water Class A common shares were exchanged for 6,214,566 Multiple Voting Shares [post-consolidated] and 34,818,730 post-consolidation Flow Water Class B common shares were exchanged for 34,818,730 Subordinate Voting Shares [post-consolidated].

On July 14, 2021, the Subordinate Voting Shares began trading upon the Toronto Stock Exchange under the symbol "FLOW".

The fair value of the consideration issued to acquire RG One was $933,263 consisting of 121,203 Subordinate Voting Shares at $7.70 per share. The Company also incurred transaction costs of $1,655,523 for professional services provided in connection with the Amalgamation. These costs are recorded in the consolidated statements of loss and comprehensive loss as reverse take-over costs.

For accounting purposes, it has been determined that RG One was the accounting acquiree and Flow Water was the accounting acquirer. Since Flow Water is considered the accounting acquirer, these Financial Statements are prepared as a continuation of the financial statements of Flow Water. As a result, the 2020 comparative information included herein is solely that of Flow Water. For simplicity, transactions undertaken by Flow Water are referred to as being undertaken by the Company in these Financial Statements.

5 Inventories

	October 31, 2021 **$**	October 31, 2020 $
Finished goods	**4,188,398**	3,062,845
Raw materials	**4,886,645**	6,927,128
	9,075,043	9,989,973
Allowance	**141,018**	646,308
	8,934,025	9,343,665

The amount of inventories recognized as cost of revenue during the year ended October 31, 2021, is $23,280,876 [2020 – $13,163,451].

At October 31, 2021, the Company recognized an inventory provision of $141,018 [2020 – $646,308]. The write-downs were recognized as part of cost of revenue during the respective years.

[expressed in Canadian dollars, except share amounts]

6 Right-of-use assets and lease obligations

The Company's right-of-use assets by asset class are as follows:

	Equipment $	Plant and warehouse $	Vehicles $	Premises $	Total $
Cost					
Balance, October 31, 2019	19,322,237	13,082,213	1,565,568	1,188,741	35,158,759
Additions	5,620,744	1,406,049	—	—	7,026,793
Transfer on acquisition	(2,553,993)	—	—	—	(2,553,993)
Effect of foreign exchange	13,172	57,320	—	972	71,464
Balance, October 31, 2020	22,402,160	14,545,582	1,565,568	1,189,713	39,703,023
Completed leases	(90,015)	—	(129,327)	(571,438)	(790,780)
Additions	5,243,429	579,803	—	—	5,823,232
Modifications	—	1,209,905	—	25,854	1,235,759
Transfer from construction in progress	872,766	—	—	—	872,766
Transfer on acquisition [note 7]	(12,765,633)	—	—	—	(12,765,633)
Effects of foreign exchange	(314,313)	(585,956)	—	(6,876)	(907,145)
Balance, October 31, 2021	**15,348,394**	**15,749,334**	**1,436,241**	**637,253**	**33,171,222**
Accumulated amortization					
Balance, October 31, 2019	1,532,479	1,159,987	394,080	481,958	3,568,504
Amortization	1,800,064	1,507,516	341,593	278,272	3,927,445
Transfer on acquisition	(84,853)	—	—	—	(84,853)
Effects of foreign exchange	(4,664)	(8,627)	—	971	(12,320)
Balance, October 31, 2020	3,243,026	2,658,876	735,673	761,201	7,398,776
Completed leases	(90,015)	—	(129,327)	(571,438)	(790,780)
Amortization	1,755,005	1,545,732	331,309	135,040	3,767,086
Transfer on acquisition [note 7]	(2,759,311)	—	—	—	(2,759,311)
Effects of foreign exchange	(39,635)	(78,465)	—	(6,876)	(124,976)
Balance, October 31, 2021	**2,109,070**	**4,126,143**	**937,655**	**317,927**	**7,490,795**
Net book value					
Balance, October 31, 2020	19,159,134	11,886,706	829,895	428,512	32,304,247
Balance, October 31, 2021	**13,239,324**	**11,623,191**	**498,586**	**319,326**	**25,680,427**

Amortization expense related to ROU assets of $1,435,696 [2020 – $1,524,315] is recorded in the consolidated statements of loss and comprehensive loss within amortization and depreciation. Amortization expense of $2,331,390 [2020 – $2,403,130] was allocated to inventories produced in the period, which is included in inventories on the consolidated statements of financial position, and inventories sold in the period, which is recorded within cost of revenue on the consolidated statements of loss and comprehensive loss.

The Company's lease obligations are as follows:

	October 31, 2021 $	October 31, 2020 $
Balance – Beginning of year	**28,192,425**	28,863,970
Additions	**6,695,998**	7,026,793
Interest accretion	**1,847,655**	2,079,917
Lease payments	**(7,069,625)**	(8,085,147)
Payment on exercise of purchase option [note 7]	**(6,972,891)**	—
Modifications [note 7]	**2,270,101**	—
Payment on lease cancellation	**—**	(1,781,192)
Effects of foreign exchange	**(737,026)**	88,084
Balance – End of year	**24,226,637**	28,192,425
Current	**3,309,502**	4,746,973
Non-current	**20,917,135**	23,445,452

[expressed in Canadian dollars, except share amounts]

Expenses incurred for the fiscal year ended October 31, 2021, relating to variable, short-term leases and leases of low-value assets were $1,041,920 [2020 – $836,236].

7 Property and equipment

	Land $	Equipment $	Furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
Cost						
Balance, October 31, 2019	4,910,010	5,996,545	80,733	3,201,744	—	14,189,032
Additions	9,422	6,652,456	6,836	525,919	—	7,194,633
Effects of foreign exchange	41,473	(10,353)	227	13,168	—	44,515
Balance, October 31, 2020	4,960,905	12,638,648	87,796	3,740,831	—	21,428,180
Additions	—	2,563,943	83,029	153,213	4,332,144	7,132,329
Transfers	—	3,312,453	—	—	(3,312,453)	—
Transfer to ROU assets	—	—	—	—	(872,766)	(872,766)
Transfer on acquisition	—	10,006,322	—	—	—	10,006,322
Disposals	—	(22,055)	—	—	—	(22,055)
Effects of foreign exchange	(246,406)	(932,876)	(2,582)	(131,043)	2,255	(1,310,652)
Balance, October 31, 2021	**4,714,499**	**27,566,435**	**168,243**	**3,763,001**	**149,180**	**36,361,358**
Accumulated depreciation						
Balance, October 31, 2019	—	376,787	25,864	143,780	—	546,431
Depreciation	—	687,518	12,396	262,678	—	962,592
Effects of foreign exchange	—	(4,083)	(4)	(1,180)	—	(5,267)
Balance, October 31, 2020	—	1,060,222	38,256	405,278	—	1,503,756
Depreciation	—	1,687,774	11,152	282,910	—	1,981,836
Effects of foreign exchange	—	(62,772)	(485)	(17,732)	—	(80,989)
Balance, October 31, 2021	**—**	**2,685,224**	**48,923**	**670,456**	**—**	**3,404,603**
Net book value						
Balance, October 31, 2020	4,960,905	11,578,426	49,540	3,335,553	—	19,924,424
Balance, October 31, 2021	**4,714,499**	**24,881,211**	**119,320**	**3,092,545**	**149,180**	**32,956,755**

Depreciation expense of $316,123 [2020 – $368,326] is recorded in the consolidated statements of loss and comprehensive loss within amortization and depreciation. Depreciation expense of $1,665,713 [2020 – $594,266] was allocated to inventories produced, which is included in inventories on the consolidated statements of financial position, and inventories sold in the period, which is recorded within cost of revenue on the consolidated statements of loss and comprehensive loss.

During the year ended October 31, 2021, the Company entered into an agreement to modify existing lease agreements to allow for the early exercise of purchase options. The Company recognized a loss of $1,034,342, which is recorded within finance expense on the consolidated statements of loss and comprehensive loss, and a corresponding increase in the Company's lease obligations on modification. On the buyout date, the Company paid the lessor $6,972,891 and transferred $10,006,322 of ROU assets to equipment.

During the year ended October 31, 2021, the Company paid deposits on leased equipment prior to lease commencement. Upon commencement, the Company transferred $872,766 of construction in progress to ROU assets.

[expressed in Canadian dollars, except share amounts]

8 Intangible assets

	Domain name $	Trademark $	Intellectual property $	Total $
Cost				
Balance, October 31, 2019	186,987	764,393	—	951,380
Additions	21,874	—	1,160,985	1,182,859
Effects of foreign exchange	824	5,230	—	6,054
Balance, October 31, 2020	209,685	769,623	1,160,985	2,140,293
Effects of foreign exchange	(7,421)	(47,070)	—	(54,491)
Balance, October 31, 2021	**202,264**	**722,553**	**1,160,985**	**2,085,802**
Accumulated amortization				
Balance, October 31, 2019	38,142	72,707	—	110,849
Amortization	41,174	57,016	87,074	185,264
Effects of foreign exchange	183	558	—	741
Balance, October 31, 2020	79,499	130,281	87,074	296,854
Amortization	40,136	54,828	116,098	211,062
Effects of foreign exchange	(2,992)	(7,856)	—	(10,848)
Balance, October 31, 2021	**116,643**	**177,253**	**203,172**	**497,068**
Carrying value				
Balance, October 31, 2020	130,186	639,342	1,073,911	1,843,439
Balance, October 31, 2021	**85,621**	**545,300**	**957,813**	**1,588,734**

On February 7, 2020, the Company acquired inventory and intellectual property from 2596059 Ontario Inc. ["Boons"]. The intellectual property consisted of certain recipes and formulations for flavoured water. Total consideration was $1,247,500 and consisted of $250,000 of cash and 150,000 Subordinate Voting Shares with a fair value of $997,500 [note 11]. Total consideration allocated to the inventory was $86,515 and $1,160,985 was allocated to the acquired trade secrets.

[expressed in Canadian dollars, except share amounts]

9 Borrowings

The following table presents the borrowings for the Company:

	October 31, 2021 $	October 31, 2020 $
Tetra Pak Canada Loan II [a]	**59,659**	113,898
Tetra Pak Canada Loan III [a]	**158,785**	200,284
Seawright Mineral Springs Loan [b]	**35,475**	35,681
DLL Finance LLC Loan I [c]	**260,061**	261,023
Bank Term Loan I [d]	**72,859**	73,398
Bank Term Loan II [d]	**10,763**	15,789
Tetra Pak Canada Loan IV [a]	**239,703**	241,164
Tetra Pak Canada Loan V [a]	**310,813**	310,848
Tetra Pak Canada Loan VI [a]	**85,066**	—
Tetra Pak Canada Loan VII [a]	**194,218**	—
DLL Finance LLC Loan II [c]	**248,631**	251,777
Debt Round [e]	**16,598,293**	5,242,445
Total current	**18,274,326**	6,746,307
Tetra Pak Canada Loan II [a]	**—**	59,467
Tetra Pak Canada Loan III [a]	**—**	158,619
Seawright Mineral Springs Loan [b]	**1,678,877**	1,834,713
DLL Finance LLC I Loan [c]	**1,231,178**	1,598,716
Bank Term Loan I [d]	**—**	72,003
Bank Term Loan II [d]	**—**	10,748
Tetra Pak Canada Loan IV [a]	**—**	256,637
Tetra Pak Canada Loan V [a]	**54,873**	393,368
Tetra Pak Canada Loan VI [a]	**128,621**	—
Tetra Pak Canada Loan VII [a]	**293,664**	—
DLL Finance LLC Loan II [c]	**1,258,076**	1,613,018
Debt Round [e]	**—**	14,874,467
Total non-current	**4,645,289**	20,871,756
	22,919,615	27,618,063

[a] Tetra Pak Canada Loans

Tetra Pak Canada Loan II
In May 2019, the Company received $330,793 of financing with Tetra Pak Inc. ["Tetra"] for the installation of equipment. The loan is secured as a first priority security interest over the equipment. The loan accrues interest at 6.80% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of $10,184. The loan is classified at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.48%. During the year ended October 31, 2021, the Company incurred $8,498 of interest expense [2020 – $15,627].

Tetra Pak Canada Loan III
In August 2019, the Company received $591,603 of financing with Tetra for the installation of equipment. The loan is secured as a first priority security interest over the equipment. The loan accrues interest at 6.81% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of $18,216. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.49%. During the year ended October 31, 2021, the Company incurred $18,470 of interest expense [2020 – $31,041].

Tetra Pak Canada Loan IV
In November 2019, the Company received USD $546,534 [$735,635] of financing with Tetra for the installation of equipment. The loan is secured as a first priority security interest over the equipment. The loan accrues interest at 6.55% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $16,763 [$22,223]. The loan is recorded at amortized cost and accounted for using the effective

interest rate method. The effective interest rate applicable to this loan is 6.24%. During the year ended October 31, 2021, the Company incurred $23,007 of interest expense [2020 – $43,359].

Tetra Pak Canada Loan V
In January 2020, the Company received USD $712,567 [$946,717] of financing with Tetra for the installation of equipment. The loan is secured as a first priority security interest over the equipment. The loan accrues interest at 6.82% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $21,943 [$29,090]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.5%. During the year ended October 31, 2021, the Company incurred $34,528 of interest expense [2020 – $51,373].

Tetra Pak Canada Loan VI
On April 13, 2021, the Company received USD $211,047 [$265,612] of financing from Tetra in the form of a Promissory Note to cover the installation cost of equipment. The Promissory Note is secured by a first priority security interest against the equipment. The Promissory Note accrues interest at a rate of 5.50% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $6,373 [$7,829]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The Promissory Note has a maturity date of March 1, 2024. During the year ended October 31, 2021, the Company incurred $7,612 of interest expense [2020 – $nil].

Tetra Pak Canada Loan VII
On April 13, 2021, the Company received USD $481,855 [$606,435] of financing from Tetra in the form of a Promissory Note to cover the installation cost of equipment. The Promissory Note is secured by a first priority security interest against the equipment. The Promissory Note accrues interest at a rate of 5.50% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $14,550 [$17,875]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The Promissory Note has a maturity date of March 1, 2024. During the year ended October 31, 2021, the Company incurred $17,379 of interest expense [2020 – $nil].

[b] Seawright Mineral Springs Loan

In April 2019, the Company acquired a 144-acre spring in Virginia from Seawright Mineral Springs Limited ["Seawright"]. The Company obtained financing in 2019 with Seawright for the purchase of the spring. The loan accrues interest at 6.25% maturing October 2023 with a principal balance of USD $1,440,000 [$1,913,184] with repayment terms consisting of 60 consecutive monthly blended instalments of interest and principal in the amount of USD $9,497 [$12,590] beginning in June 2019. The loan is secured by a first lien on the spring and land. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.24%. During the year ended October 31, 2021, the Company incurred $109,962 of interest expense [2020 – $120,124].

[c] DLL Finance LLC Loans

In October 2019, the Company received USD $1,580,983 [$2,100,494] of financing with DLL Finance LLC for the purchase of equipment. The loan is secured against the purchased equipment. The loan accrues interest at 6.46% with repayment terms consisting of 84 consecutive monthly blended instalments of interest and principal in the amount of USD $23,446 [$30,855]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.33%. During the year ended October 31, 2021, the Company incurred $104,051 of interest expense [2020 – $139,377].

In October 2020, the Company received USD $1,401,760 [$1,886,769] of financing with DLL Finance LLC for the purchase of equipment. The loan is secured against the purchased equipment. The loan accrues interest at 5.57% with repayment terms consisting of 76 consecutive monthly blended instalments of interest and principal in the amount of USD $21,931 [$29,073]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 5.44%. During the year ended October 31, 2021, the Company incurred $90,080 of interest expense [2020 – $8,724].

[d] Bank Borrowings

In 2017, the Company arranged for a $350,000 variable rate term facility with its financial institution. These borrowings are secured by a personal guarantee of two shareholders and a chattel mortgage on specific equipment and leasehold improvements. The term loan facility accrues interest at a rate equal to 3% above the financial institution's prime rate. The repayment terms begin 90 days after the first drawdown and consists of a monthly payment of $6,117 plus interest. In 2017, the Company borrowed $342,530 and commenced payment starting in November 2017 for a 54-month term.

In September 2018, the Company arranged for a $75,000 variable rate term facility with its financial institution. These borrowings are secured by a personal guarantee of two shareholders and a chattel mortgage on specific equipment and leasehold improvements. The term loan facility accrues interest at a rate equal to 3% above the financial institution’s prime rate. The repayment terms began 90 days after the first drawdown and consists of a monthly payment of $1,316 plus interest. In 2019, the Company borrowed $45,624 and commenced payment in March 2019 for a 36-month term.

The term facilities are classified at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to these loans is approximately 5.92%. During the year ended October 31, 2021, the Company incurred $8,095 of interest expense [2020 – $17,812].

[e] Debt Round

In 2019, the Company issued debt to individual holders along with the issuance of warrants. The Company issued $11,593,440 of debt and incurred transaction costs of $283,557. The warrants give the warrant-holder the right to purchase Subordinate Voting Shares. The Company issued 231,869 warrants at an exercise price of $6.25 per warrant [“$6.25 Warrant”] and 231,869 warrants at an exercise price of $10.00 per warrant [“$10.00 Warrant”]. The warrants expire in December 2020. The fair value of the $6.25 Warrant was $442,434 and the fair value of the $10.00 Warrant was $117,207. The debt accrued interest at a rate of 10% and matured in December 2020. The debt is accounted for at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is approximately 14%. During the year ended October 31, 2021, the Company incurred $921,738 of interest expense [2020 – $1,692,516].

On October 8, 2020, the Company amended its debt round maturing December 2020 with participating debt holders to extend the repayment terms by 18 months, expiring July 30, 2022. The total principal amount modified was $6,335,440. The Company determined that the contract modification was not substantial and recognized a gain on the modification of the loan of $239,979, which was recognized in other income. In consideration for the extension, the Company extended the maturity of the existing warrants over the same period and issued new warrants, with an exercise price of $10.00. The fair value of the new warrants was $69,438 and was recognized in finance expense. The new warrants were valued using the Black-Scholes pricing model using the following inputs: exercise price of $10.00, underlying stock price of $6.70, expected life of 1.81 years, risk-free rate of 0.41% and volatility of 55%.

In December 2020, the Company amended its debt round maturing December 2020 with the remaining participating debt holders to extend the repayment terms by 18 months, expiring July 30, 2022. The total principal amount modified was $1,118,000. The Company determined that the contract modification was not substantial and recognized a gain on the modification of the loan of $46,572, which was recognized in other income. In consideration for the extension, the Company extended the maturity of the existing warrants over the same period and issued 11,180 new warrants, with an exercise price of $10.00. The fair value of the new warrants was $11,350 and was recognized in finance expense. The new warrants were valued using the Black-Scholes pricing model using the following inputs: exercise price of $10.00, underlying stock price of $6.70, expected life of 1.66 years, risk-free rate of 0.41% and volatility of 55%.

In December 2020, the Company repaid $4,140,000 of the original debt.

During the year ended October 31, 2020, the Company issued debt to individual holders along with the issuance of warrants. The Company issued $9,476,000 of debt and incurred cash transaction costs of $48,270 and finder’s fees of $343,200, which were settled through the issuance of stock options. The warrants give the warrant-holder the right to purchase Subordinate Voting Shares. The Company issued 189,520 warrants at an exercise price of $6.75 per warrant [“$6.75 Warrant”] and 189,520 warrants at an exercise price of $10.00 per warrant [“$10.00 Warrant”] for up to two years from the issuance. The fair value of the $6.75 Warrant was $293,156 and the $10.00 Warrant was $162,108. The debt accrues interest at a rate of 10% maturing in February 2022. The debt is accounted for at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is approximately 13%. During the year ended October 31, 2021, the Company incurred $1,413,127 of interest expense [2020 – $702,554].

[expressed in Canadian dollars, except share amounts]

Government Grant

During the year ended October 31, 2020, the Company received a government loan in the amount of USD $637,663 [$858,276]. The Company determined that all criteria for forgiveness were met and the loan did not have to be repaid. The Company recognized $858,276 of forgiveness during the year ended October 31, 2020.

10 Convertible debentures

	October 31, 2021 $	October 31, 2020 $
September 30, 2020, convertible debentures [a]	**—**	4,685,665
Total current	**—**	4,685,665
Canaccord convertible debentures [b]	**—**	1,411,642
Total non-current	**—**	1,411,642
	—	6,097,307

[a] September 30, 2020, convertible debentures

During the year ended October 31, 2021, $750,435 of principal and interest were converted and recognized in share capital, resulting in the issuance of 150,087 Subordinate Voting Shares. The Company recognized in share capital $54,618 related to the conversion feature that was transferred from contributed surplus to share capital. The Company repaid $4,100,338 of principal and interest during the year ended October 31, 2021.

[b] Canaccord convertible debentures

During the year ended October 31, 2021, the Company prepaid the convertible debenture. Upon settlement, the Company paid $2,370,269, which included a termination fee of $427,500 and incurred a loss on settlement of $509,651. The termination fee and loss on settlement were recognized in finance expense, net. The Company derecognized the derivative liability of $505,687 upon settlement, which was recognized in finance expense, net.

11 Share capital

Authorized

The Company has authorized capital of an unlimited number of Multiple Voting Shares, voting at 10 votes per share and an unlimited number of Subordinate Voting Shares, voting at 1 vote per share. Prior to the Amalgamation [note 4] Flow Water completed a share consolidation on a 5-to-1 basis for all issued and outstanding Class A common shares and Class B common shares [the “Flow Consolidation”].

[expressed in Canadian dollars, except share amounts]

Issued and outstanding

	Multiple Voting Shares		**Subordinate Voting Shares**		**Total**
	#	**$**	**#**	**$**	**$**
Balance, October 31, 2019	5,923,992	6,524,681	21,921,423	61,975,214	68,499,895
Share issuance [a]	—	—	8,321,785	54,029,945	54,029,945
Conversion of debt [b]	—	—	1,546,656	8,453,029	8,453,029
Warrants exercised	—	—	500	5,546	5,546
Options exercised	44,333	114,568	50,000	370,627	485,195
Purchase of Boons [c]	—	—	150,000	997,500	997,500
Share equity grant	40,076	262,500	—	—	262,500
Employment and consulting services	58,165	325,000	181,284	1,166,330	1,491,330
Balance, October 31, 2020	6,066,566	7,226,749	32,171,648	126,998,191	134,224,940
Share issuance [a]	—	—	13,214,682	90,777,793	90,777,793
Share issuance on qualifying transaction	—	—	121,203	933,263	933,263
Conversion of debt [b]	—	—	150,087	805,053	805,053
Share issuance on RSU release	—	—	919,267	6,979,627	6,979,627
Warrants exercised	—	—	141,230	997,849	997,849
Options exercised	28,000	71,367	512,712	2,036,672	2,108,039
Employment and consulting services	120,000	810,005	59,132	455,319	1,265,324
Reduction of stated capital [d]	—	(8,108,120)	—	(142,956,934)	(151,065,054)
Balance, October 31, 2021	**6,214,566**	**1**	**47,289,961**	**87,026,833**	**87,026,834**

[a] On March 1, 2021, the Company completed a non-brokered private placement for subscription rights [the "Rights"] for gross proceeds of $30,000,000. Immediately prior to the effective time of the Amalgamation, the Rights were converted into one Class B common share at $8.25 per share [post-consolidated] and one-half warrant that has an exercise price of $10.00 and is exercisable for 24 months following the Amalgamation. The Company incurred transaction costs of $1,561,690 in connection with the transaction, which include $450,000 of agency fees paid out in cash, $101,012 related to compensation warrants issued and finder's fees of $1,010,678. The Company allocated $25,625,382 to share capital and $2,812,928 to warrants using the relative fair value method.

On March 11, 2021 and May 14, 2021, the Company completed a brokered private placement for Subscription Receipts [the "Subscription Receipts"] for total gross proceeds of $68,910,348. The Subscription Receipts were held in escrow until the escrow release conditions were met by the Company in June 2021. On satisfaction of the escrow release conditions, the Subscription Receipts converted into one Subordinate Voting Share at $8.25 per share price and one-half warrant that has an exercise price of $10.00 and is exercisable for a period of 24 months following the closing of the Amalgamation. The Company incurred transaction costs of $5,464,674 in connection with the transaction, which included $4,561,930 paid in cash and $902,744 related to compensation warrants issued. The Company allocated $57,169,776 to share capital and $6,275,898 to warrants using the relative fair value method.

On June 29, 2021, upon satisfaction of the escrow release conditions and immediately prior to the effective time of the Amalgamation, the Company issued 11,989,053 Class B common shares for the conversion of the Rights and Subscription Receipts at a fair value per share of $7.70. Each such Class B common share was then immediately exchanged for one [1] Subordinate Voting Share.

During the year ended October 31, 2021, the Company issued 1,219,414 Subordinate Voting Shares for cash consideration of $7,996,360. The Company incurred transaction costs of $65,000. The Company also issued 6,215 shares as settlement for an account payable of $51,275 and recognized a corresponding increase in share capital.

During the year ended October 31, 2020, the Company issued 8,321,785 Subordinate Voting Shares for cash consideration of $55,590,983. The Company incurred transaction costs of $1,561,038.

[expressed in Canadian dollars, except share amounts]

[b] During the year ended October 31, 2021, debenture agreements were converted resulting in the issuance of 150,087 Subordinate Voting Shares [2020 – 1,546,656]. The Company recognized in share capital $54,618 [2020 – $556,840] related to the conversion feature that was transferred from contributed surplus to share capital.

[c] In 2020, the Company issued 150,000 Subordinate Voting Shares related to the purchase of inventory and intangible assets from Boons. The shares were valued based on a fair value of $6.65 per share for total fair value of $997,500.

[d] Reduction in stated capital approved at a meeting of the Company shareholders on May 10, 2021 to reduce the stated capital of each class of shares to $1.

12 Warrants

The Company issued warrants to accompany certain Subordinate Voting Shares, debt round and convertible debt. Each warrant is exercisable at the option of the holder for one Subordinate Voting Share.

The changes in the number of warrants during the years ended October 31, 2021 and 2020 were as follows:

	Number of warrants	**Weighted average exercise price**
	#	**$**
Balance, October 31, 2019	1,759,968	6.05
Granted during the year	855,393	7.68
Expired during the year	(1,300,000)	5.12
Exercised during the year	(500)	10.00
Balance, October 31, 2020	1,314,861	8.03
Granted during the year	6,555,127	9.85
Expired during the year	(120,100)	8.71
Exercised during the year	(141,230)	5.75
Balance, October 31, 2021	**7,608,658**	**9.63**

The following table is a summary of the Company's warrants outstanding as at October 31, 2021:

Expiration date	**Weighted average exercise price** $	**Instruments outstanding** #
December 4, 2021	6.55	33,000
February 28, 2022	8.47	357,040
June 30, 2022	6.75	30,000
July 17, 2022	12.50	68,400
July 30, 2022	8.68	326,270
September 11, 2022	8.25	484,552
December 29, 2022	8.25	64,801
June 29, 2023	10.00	5,994,595
January 5, 2027	6.75	250,000
	9.63	**7,608,658**

[expressed in Canadian dollars, except share amounts]

The following table is a summary of the Company's warrants outstanding as at October 31, 2020:

Expiration date	Weighted average exercise price $	Instruments outstanding #
December 31, 2020	8.13	210,320
December 4, 2021	6.55	33,000
February 28, 2022	8.38	379,040
June 30, 2022	6.75	30,000
July 17, 2022	12.50	68,400
July 30, 2022	8.50	314,271
July 26, 2024	1.50	15,830
September 10, 2024	1.50	14,000
January 5, 2027	6.75	250,000
	8.03	1,314,861

During the year ended October 31, 2021, with the amendment of the debt round previously maturing in December 2020, the Company issued 20 warrant agreements for 11,180 warrants with an exercise price of $10.00 per share with a maturity date of July 2022. In addition, the Company extended the maturity of 44,720 existing warrants to July 2022. The warrants were valued at $11,350 using the Black-Scholes model with the following inputs: exercise price of $10.00, underlying stock price of $6.70, expected life of 1.6 years, risk-free rate of 0.41% and volatility of 55%.

During the year ended October 31, 2021, the Company issued 1,818,111 warrants with an exercise price of $10.00 per warrant in connection with the conversion of the Rights and 4,176,484 warrants with an exercise price of $10.00 per warrant in connection with the conversion of the Subscription Receipts. The Company also issued 549,352 compensation warrants with an exercise price of $8.25. The warrants were valued at $10,092,584 using the Black-Scholes model with the following inputs: exercise price of $8.25 – $10.00, underlying stock price of $7.70, expected life of 1.2 – 2 years, risk-free rate of 0.25% – 0.44% and volatility of 55%.

During the year ended October 31, 2021, 141,230 warrants were exercised at an average price of $5.75 for total cash consideration of $811,645 for which the Company issued 141,230 Subordinate Voting Shares.

During the year ended October 31, 2020, with the issuance of debt round, the Company issued 35 warrant agreements for 189,520 warrants with an exercise price of $6.75 per share with a maturity date of February 2022, 35 warrant agreements for 189,520 warrants with an exercise price of $10.00 per share with a maturity date of February 2022. The warrants were valued using the relative fair value basis after the fair value of the host debt was determined.

During the year ended October 31, 2020, the Company issued 413,000 warrants in relation to the share issuances. The warrants were valued at $1,159,624. The warrants were valued using the Black-Scholes model using the following inputs: exercise price of $6.55 – $6.75, underlying stock price of $6.55 – $6.75, expected life of 0.4 – 7 years, risk-free rate of 1.75% and volatility of 55%.

During the year ended October 31, 2020, with the amendment of debt round previously maturing in December 2020, the Company issued 83 warrant agreements for 63,353 warrants with an exercise price of $10.00 per share with a maturity date of July 2022. In addition, the Company extended the maturity of 253,418 existing warrants to July 2022. The warrants were valued using the Black-Scholes model.

During the year ended October 31, 2020, 500 warrants were exercised at an average price of $10.00 for total cash consideration of $5,000 for which the Company issued 500 Subordinate Voting Shares.

13 Share-based compensation

[i] Share equity grant program

Starting 2017, the Company instituted an equity grant compensation program [the "Program"] in which the Company's executives and directors can participate. Under the Program, participants were able to receive Class A common shares as part of their compensation plan, prior to the Amalgamation. Certain shares issued under the Program carried a period of repurchase between 24 months and 48 months allowing the Company to repurchase such shares for cancellation should the participant leave the Company prior to the end of the repurchase period. The amount subject to repurchase at the date of grant was reduced proportionately over the repurchase period. In addition, the shares issued under the Program required the participant to assign all of the voting rights associated with the granted shares to the Company's CEO. The Program has been superseded by the Company's Omnibus Incentive Plan, as defined below.

[expressed in Canadian dollars, except share amounts]

During the year ended October 31, 2021, the Company granted 120,000 [2020 – 40,076] Multiple Voting Shares to participants of the Program valued at $6.75 [2020 – $6.55] per share for total compensation expense of $810,005 [2020 – $262,500] recognized in share-based compensation expense. As of October 31, 2021, the number of shares subject to the repurchase agreement was 64,000 shares [2020 – 807,722].

[ii] Restricted Share Units

On December 31, 2020, the Board of Directors approved a Restricted Share Unit Plan ["RSU Plan"] for the Company. The RSU Plan provides for the issuance of Restricted Share Units ["RSUs"] to retain qualified personnel, employees, advisors, and contractors in order to align their interests with those of the Company's shareholders. Vested RSUs are settled with Subordinate Voting Shares.

During the year ended October 31, 2021, the Board of Directors approved grants of 2,539,162 RSUs to various members of management and the Board of Directors with a grant value of $3.50 – $7.70 per unit. The RSUs vest over various periods from immediately to pro rata over 36 months. In addition, the Company also granted 662,536 RSUs to various members of management as replacement awards for cancelled share options. The incremental fair value of the replacement awards was determined to be $3.50 per unit with vesting over various periods from immediately to pro rata over 36 months.

During the year ended October 31, 2021, the Company recorded $11,982,411 of share-based compensation associated with the vested portion of the RSUs [2020 – $nil].

The changes in the number of RSUs during the year ended October 31, 2021 are as follows:

	Number of RSUs #
Balance, October 31, 2020	—
Granted during the year	3,201,698
Forfeited during the year	(350,280)
Share issuance on RSU release	(919,267)
Balance, October 31, 2021	**1,932,151**

[iii] Share options

In January 2017, the Company established a stock option plan [the "Legacy Option Plan"] for the Company's directors, officers, advisors, employees, and contractors. The Legacy Option Plan automatically terminates 10 years after its adoption by the Board of Directors. Under the Legacy Option Plan, the options generally vest immediately or equally monthly between 12 months to 48 months from the date of grant and generally have a maximum contractual life of 10 years or less. The exercise price of options is determined by the Board of Directors. Under the Legacy Option Plan, options are generally granted with a strike price no less than the fair value of the underlying common shares at the date of the grant.

In connection with the Amalgamation completed on June 29, 2021, the Legacy Option Plan was amended such that no further awards can be made under the Legacy Option Plan. In connection with the Amalgamation, the Company adopted an omnibus incentive plan [the "Omnibus Incentive Plan"], which allows for the Board of Directors to grant long-term equity-based awards, including subordinate voting share purchase options, RSUs and deferred share units ["DSUs"] to the eligible directors, officers, employees, and consultants of the Company and its subsidiaries in accordance with the terms of the Omnibus Incentive Plan. The Company's Governance, Human Resources and Compensation Committee makes recommendations to the Board of Directors in respect of matters relating the Omnibus Incentive Plan. The Board of Directors has the discretion and authority to determine, among other things, the vesting schedule of share options and the settlement periods of RSUs or DSUs, issued under the Omnibus Incentive Plan.

In respect of options held by U.S. persons only, pursuant to the terms of the Legacy Option Plan, each outstanding option immediately prior to the effective time of the Amalgamation entitles each holder of an option that is a U.S. person to receive upon exercise of an option that number of Subordinate Voting Shares that such option would be entitled to had the holder of the option exercised the option [taking into account the Flow Consolidation] immediately prior to the Amalgamation.

[expressed in Canadian dollars, except share amounts]

Each option held by persons other than U.S. persons, outstanding immediately prior to the effective time of the Amalgamation was exchanged for an option issued by the Company to purchase Subordinate Voting Shares in accordance with the Omnibus Incentive Plan.

The maximum number of Subordinate Voting Shares reserved and available for grant and issuance pursuant to the Omnibus Incentive Plan shall not exceed 15% of the total issued and outstanding Subordinate Voting Shares on a non-diluted basis.

During the year ended October 31, 2021, the Company recorded $5,043,212 [2020 – $3,456,020], respectively, of share-based compensation associated with the vested portion of the share options issued under the Legacy Option Plan and the Omnibus Incentive Plan.

The changes in the number of share options during the years ended October 31, 2021 and 2020 were as follows:

	2021		**2020**	
	Number of options #	**Weighted average exercise price $**	**Number of options #**	**Weighted average exercise price $**
Options outstanding, beginning of year	**3,375,545**	**4.83**	1,416,279	2.11
Options granted	**1,093,172**	**6.93**	2,308,362	6.47
Options forfeited	**(79,111)**	**4.95**	(1,251)	3.52
Options repurchased	**—**	**—**	(30,000)	2.50
Options cancelled	**(670,536)**	**6.50**	(200,000)	6.55
Options exercised	**(540,712)**	**2.46**	(94,333)	2.04
Options expired	**—**	**—**	(23,512)	2.58
Options outstanding – October 31	**3,178,358**	**5.59**	3,375,545	4.83
Options exercisable – October 31	**2,704,415**	**5.41**	1,988,143	3.76

The weighted average fair value of share options granted during the years ended October 31, 2021 and 2020 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

	2021	2020
Grant date share price	**$5.85** – **$7.70**	$6.70
Exercise price	**$6.55** – **$8.25**	$2.50 – $7.00
Expected dividend yield	**$nil**	$nil
Risk-free interest rate	**0.24%** – **1.43%**	0.41% – 1.54%
Expected option life	**0.39 years** – **6.19 years**	6.2 years – 7 years
Expected volatility	**55%**	55% – 58%

The expected volatility was estimated using the volatility of publicly traded companies that the Company considered to be comparable. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on government bonds with a term equal to the expected life of the options.

[expressed in Canadian dollars, except share amounts]

The following table is a summary of the Company's share options outstanding as at October 31, 2021:

Options outstanding			Options exercisable	
Exercise price $	**Number outstanding** #	**Weighted average remaining contractual life [years]** #	**Weighted average exercise price** $	**Number exercisable** #
1.50	168,001	5.18	1.50	168,001
2.50	669,978	5.18	2.50	663,954
5.00	5,000	5.18	5.00	3,856
6.55	1,015,038	5.16	6.55	793,077
6.60	250,102	5.18	6.60	209,908
6.65	275,625	5.18	6.65	215,197
6.70	22,743	5.18	6.70	15,071
6.75	471,436	5.18	6.75	377,349
6.85	5,000	5.18	6.85	5,000
6.95	10,000	5.18	6.95	7,562
7.00	76,000	5.18	7.00	62,941
8.25	209,435	5.17	8.25	182,499
5.59	**3,178,358**	**5.17**	**5.41**	**2,704,415**

The following table is a summary of the Company's share options outstanding as at October 31, 2020:

Options outstanding			Options exercisable	
Exercise price $	**Number outstanding** #	**Weighted average remaining contractual life [years]** #	**Weighted average exercise price** $	**Number exercisable** #
1.25	228,232	6.18	1.25	228,232
1.50	253,667	6.18	1.50	253,667
2.50	851,477	6.18	2.50	770,424
5.00	5,000	6.18	5.00	1,356
6.55	1,351,950	6.18	6.55	445,203
6.60	12,380	6.18	6.60	12,380
6.65	275,625	6.18	6.65	77,346
6.70	20,000	6.18	6.70	2,329
6.75	287,214	6.14	6.75	145,227
6.85	5,000	6.18	6.85	5,000
6.95	10,000	6.18	6.95	2,562
7.00	75,000	6.18	7.00	44,417
4.83	3,375,545	6.18	3.76	1,988,143

14 Loss per share

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the year ended October 31, 2021 was 44,518,162 [2020 – 32,611,304].

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debentures, share options, restricted share units and warrants, given the Company was in a net loss position during those periods. The outstanding number and type of securities that could potentially dilute basic net income per share in the future but would have decreased the loss per share [anti-dilutive] for the years ended October 31, 2021 and 2020 presented are as follows:

[expressed in Canadian dollars, except share amounts]

	2021	2020
	#	#
Convertible debt	**—**	1,197,437
Stock options	**3,178,358**	3,375,545
Restricted share units	**1,932,151**	—
Warrants	**7,608,658**	1,314,861
	12,719,167	5,887,843

15 Disaggregation of revenue

The Company derives its revenue primarily from two main sources: the sale of packaged water and co-packing services.

The following table represents disaggregation of revenue for the years ended October 31, 2021 and 2020:

	2021	2020
	$	$
Packaged water	**28,195,336**	26,167,274
Co-packing services	**21,621,590**	3,002,788
Gross revenue	**49,816,926**	29,170,062
Less:		
Discounts	**1,472,926**	1,319,520
Trade spend	**5,646,453**	4,888,234
Net revenue	**42,697,547**	22,962,308

During the year ended October 31, 2021, the Company recognized barter revenue of $45,386 [2020 – $5,696,231] related to the sale of packaged water.

16 Income taxes

The reconciliation of income tax expense for the years ended October 31, 2021 and 2020 consists of the following:

	2021	2020
	$	$
Loss before income taxes	**(62,253,465)**	(48,149,347)
Statutory tax rate	**26.5%**	26.50%
Expected income tax recovery at the statutory tax rate	**(16,497,168)**	(12,759,577)
Non-deductible items	**5,335,061**	2,455,561
Change in estimates and others	**(1,598,388)**	(927,794)
Change in deferred tax assets not recognized	**12,760,495**	11,231,810
Income tax expense	**—**	—

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits.

	2021	2020
	$	$
Deferred income tax assets (liabilities)		
Non-capital loss carry forward	**50,048,800**	35,176,582
Leases	**(197,991)**	(670,009)
Capital assets	**(4,971,101)**	(2,943,599)
Financing fees	**(136,134)**	(102,149)
Total deferred tax assets	**44,743,574**	31,460,825
Unrecognized deferred tax asset	**44,743,574**	31,460,825
Non-capital loss carry forward	**—**	—

[expressed in Canadian dollars, except share amounts]

The Company has non-capital loss carry forwards of approximately $194,477,000, which may be used to reduce taxable income in the future. If not utilized, certain of these losses by jurisdiction will expire as follows:

	Canada	**United States**	**Total**
	$	**$**	**$**
2033	1,168,000	—	1,168,000
2034	2,250,000	—	2,250,000
2035	1,540,000	—	1,540,000
2036	6,359,000	295,000	6,654,000
2037	10,212,000	2,568,000	12,780,000
2038	23,345,000	7,117,000	30,462,000
2039	22,770,000	29,964,000	52,734,000
2040	22,646,000	25,153,000	47,799,000
2041	—	39,090,000	39,090,000
	90,290,000	104,187,000	194,477,000

17 Commitments and contingencies

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these Financial Statements.

Commitments

On April 7, 2021, the Company terminated a Distribution Agreement with a US Distributor. The Company agreed to pay the Distributor a sum of USD $2,000,000 to relinquish their exclusive rights to distribute the product in their territory. The termination fee was recognized in restructuring and other costs expense at the time of termination of the Distribution Agreement. The termination fee will be paid in two instalments, $1,000,000 USD was paid on the date of execution of the termination agreement and USD $1,000,000 is due on November 3, 2021. As at October 31, 2021, USD $1,000,000 [$1,238,400] is recorded in trade and other payables. The fee was subsequently paid on November 2, 2021.

18 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the years ended October 31, 2021, and 2020 is as follows:

	2021	2020
	$	$
Salaries, bonuses and benefits	**4,590,321**	3,313,818
Share-based compensation	**11,238,000**	3,428,664
	15,828,321	6,742,482

During the year ended October 31, 2021, the Company purchased $224,745 [2020 – $250,000] of consulting services from a company that was owned by a Director of the Company. This amount is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. As at October 31, 2021, the Company had an outstanding balance of $39,987 [2020 – $137,249] recorded in trade and other payables.

During the year ended October 31, 2021, the Company purchased $15,060 [2020 – $5,520] of consulting services from a company that is owned and controlled by one of the key management personnel. This amount is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. As at October 31, 2021, the Company had an outstanding balance of $40,989 [2020 – $nil] recorded in trade and other payables.

[expressed in Canadian dollars, except share amounts]

During the year ended October 31, 2020, the Company provided co-packing and logistics services to a group of companies with common shareholders, Directors and officers. The Company generated $nil [2020 – $410,211] of revenue for the year from these services, which is included in net revenue on the consolidated statements of loss and comprehensive loss. As at October 31, 2021, there is accounts receivable of $nil [2020 – $nil] recorded in trade and other receivables. This group of companies underwent a financial reorganization during the year ended October 31, 2020, which resulted in the Company taking a write-down of the outstanding receivable balance of $249,715.

During the year ended October 31, 2021, the Company purchased $nil [2020 – $172,208] of services from a group of companies with common shareholders, Directors and officers. The services were comprised of brokerage fees $nil [2020 – $40,306], which are included in sales and marketing, and management services of $nil [2020 – $131,902], which are included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. As at October 31, 2021, the Company had an outstanding balance of $nil [2020 – $nil] recorded in trade and other payables.

19 Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings.

Total managed capital is as follows:

	October 31, 2021 $	October 31, 2020 $
Borrowings	**22,919,615**	27,618,063
Convertible debentures	**—**	6,097,307
Share capital	**86,813,788**	134,224,940
	109,733,403	167,940,310

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

20 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company assesses the creditworthiness of customers who wish to trade on credit terms. As at October 31, 2021, the Company had two customers [2020 – two customers] that owed the Company more than 10% of the outstanding receivable balance and accounted for 33% [2020 – 30%] of total trade receivables outstanding.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

[expressed in Canadian dollars, except share amounts]

The aging of trade receivables as at October 31, 2021 and 2020 is as follows:

	2021 **$**	2020 $
Current	**2,454,621**	544,564
1-30 days past due	**1,121,864**	1,028,081
31-60 days past due	**108,677**	219,812
Greater than 60 days past due	**2,800,363**	1,069,790
Total trade receivables	**6,485,525**	2,862,247
Less allowance for doubtful accounts	**(746,502)**	(1,035,380)
	5,739,023	1,826,867

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at October 31, 2021, trade and other receivables includes $2,954,379 of government remittances recoverable [2020 – $1,150,032].

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these Financial Statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at October 31, 2021:

	Carrying amount **$**	**Year 1** **$**	**Year 2** **$**	**Year 3** **$**	**Year 4** **$**	**Year 5 and over** **$**	**Total** **$**
Trade and other payables	15,563,262	15,563,262	—	—	—	—	15,563,262
Lease obligations	24,226,637	4,708,532	4,480,673	4,485,258	3,312,210	15,932,461	32,919,134
Borrowings	22,919,615	18,607,740	2,569,067	701,165	609,210	754,359	23,241,541
	62,709,514	**38,879,534**	**7,049,740**	**5,186,423**	**3,921,420**	**16,686,820**	**71,723,937**

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from US dollar and UK pound denominated cash, trade and other receivables and trade and other payables in entities whose functional currency is other than the currency in which these financial instruments are denominated in.

A change of 1% in foreign currency exchange rates would not have a significant impact on the results of operations. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in the Company's operating results.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at October 31, 2021 as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at October 31, 2021.

Fair values

The carrying values of cash, trade and other receivables, trade and other payables and borrowings approximate fair values due to the short-term nature of these items or being carried at fair value or, for borrowings, interest payables are close to the current market rates. The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

21 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ["CODM"] to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The following table presents details on revenue derived and details on property and equipment domiciled in the following geographical locations as at and for the years ended October 31, 2021 and 2020.

[expressed in Canadian dollars, except share amounts]

Revenue for the years ended October 31, 2021 and 2020:

	2021	2020
	$	$
Canada	**23,164,397**	14,377,758
United States	**19,533,150**	8,584,550
Total	**42,697,547**	22,962,308

During the year ended October 31, 2021, the Company generated 46% [2020 – 34%] of its revenue from two customers [2020 – two customers].

Property and equipment as at October 31, 2021 and 2020:

	2021	2020
	$	$
Canada	**8,650,022**	4,569,170
United States	**24,306,733**	15,355,254
Total	**32,956,755**	19,924,424

Right-of-use assets as at October 31, 2021 and 2020:

	2021	2020
	$	$
Canada	**12,298,991**	19,206,691
United States	**13,381,436**	13,097,556
Total	**25,680,427**	32,304,247

22 Finance expense

Finance expense for the years ended October 31, 2021 and 2020 consists of the following:

	2021	2020
	$	$
Interest on lease obligations	**1,847,655**	2,079,917
Interest on borrowings	**2,756,547**	2,827,308
Interest on convertible debentures	**186,583**	1,913,155
Loss on lease modification	**1,034,342**	—
Loss on convertible debenture settlement	**509,651**	—
Convertible debenture termination fee	**427,500**	—
Warrants issued on debt round extension	**11,350**	—
Gain on change in fair value of derivative liability	**(505,687)**	(81,662)
Total	**6,267,941**	6,738,718

Repayment of borrowings for the years ended October 31, 2021 and 2020 consists of the following:

	2021	2020
	$	$
Interest paid	**2,085,750**	2,125,655
Principal paid	**5,745,726**	1,526,585
Total	**7,831,476**	3,652,240

[expressed in Canadian dollars, except share amounts]

Repayment of convertible debentures for the years ended October 31, 2021 and 2020 consists of the following:

	2021	2020
	$	$
Interest paid	**418,106**	550,537
Principal paid	**5,625,000**	94,000
Termination fee paid	**427,500**	—
Total	**6,470,606**	644,537

23 Restructuring and other

During the year ended October 31, 2021, the Company recorded a loss of $2,515,293 relating to the termination of a Distribution Agreement with a US Distributor. The Company also recognized restructuring costs of $278,500 relating to certain organizational restructuring actions undertaken by the Company following the completion of the Amalgamation.

During the year ended October 31, 2020, the Company recognized a loss of $2,592,525 relating to asset write-offs and termination fees paid to cancel a beverage licensing and production deal in Canada. The loss included $2,317,277 previously recognized in general and administrative expenses and a loss of $275,248 previously recognized in other income. These amounts have been reclassified to restructuring and other to conform to the current year’s presentation.

24 Subsequent events

On November 9, 2021, the Company received USD $813,115 of financing from Tetra Pak Inc. in the form of a Promissory Note to cover the installation cost of equipment. The Promissory Note is secured by a first priority security interest against the equipment. The Promissory Note accrues interest at a rate of 5.65% and has a maturity date of September 1, 2024.

As at October 31, 2021, the Company has a principal of $9,476,000 of unsecured debentures maturing on February 28, 2022 (the "2020 Debt Round"). The Company has received the consent of holders representing over 75% of the outstanding principal amount and unpaid interest payments of the 2020 Debt Round to, among other things, amend the maturity date to February 29, 2024. The amendment of the 2020 Debt Round is subject to the approval of the Toronto Stock Exchange and the Company has applied to the Toronto Stock Exchange seeking such approval on January 27, 2022. If approved, the Company intends to extend the maturity date of all of the outstanding principal of the 2020 Debt Round to February 29, 2024.