SIMPLY BETTER BRANDS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of Simply Better Brands Corp. for the nine months ended September 30, 2023 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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(Expressed in United States Dollars)

As at	Note(s)	September 30, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash		3,272,293	2,343,178
Accounts receivable	3	1,555,534	4,616,267
Other receivable		119,869	134,500
Prepaid expenses	4	4,366,742	4,488,817
Inventory	5	3,084,510	3,554,563
		12,398,948	**15,137,325**
Non-current assets			
Restricted cash		325,000	325,000
Deposits		3,783	3,783
Equipment		3,654	11,875
Intangible assets	6	3,206,096	6,321,344
Goodwill		14,830,827	14,830,827
		18,369,360	**21,492,829**
TOTAL ASSETS		**30,768,308**	**36,630,154**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	4,959,520	6,122,385
Deferred revenue		22,770	37,014
Derivative liability	13	75,716	175,122
Amount due to the revolving credit facilities	8	5,371,376	4,319,340
Loan payable	9	10,393,361	10,314,840
Current portion of promissory note	11	672,143	1,793,119
Current portion of convertible notes		478,818	1,711,223
		21,973,704	**24,473,043**
Non-current liabilities			
Warrant liabilities	10	1,635,074	-
Promissory note	11	520,410	627,197
Convertible notes	12	-	389,080
		2,155,484	**1,016,277**
TOTAL LIABILITIES		**24,129,188**	**25,489,320**

(Expressed in United States Dollars)

As at	Note(s)	September 30, 2023 $	December 31, 2022 $
SHAREHOLDERS' EQUITY			
Share capital	14	51,264,222	45,411,501
Share subscription received	14	-	235,357
Additional paid-in capital		3,165,638	3,068,551
Reserves	14	2,809,665	3,436,447
Accumulated deficit		(47,207,812)	(39,570,086)
Accumulated other comprehensive income		10,727	11,749
Equity attributable to owners of the Company		**10,042,440**	**12,593,519**
Non-controlling interest	14	(3,403,320)	(1,452,685)
TOTAL SHAREHOLDERS' EQUITY		**6,639,120**	**11,140,834**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,768,308**	**36,630,154**

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These unaudited condensed consolidated interim financial statements were approved for issue on November 29, 2023 by the Board of Directors and signed on its behalf by:

/s/ J.R. Kingsley Ward Director **/s/ Paul Norman Director**

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in United States Dollars)

		For the three months ended		For the nine months ended	
	Note(s)	September 30, 2023 $	September 30, 2022 $	September 30, 2023 $	September 30, 2022 $
Revenue		**19,405,216**	**13,434,493**	**67,587,731**	**42,400,279**
Cost of goods sold		**(6,746,450)**	**(4,609,614)**	**(27,417,065)**	**(13,911,043)**
Gross profit		**12,658,766**	**8,824,879**	**40,170,666**	**28,489,236**
Expenses					
Amortization	6	838,416	564,189	2,925,246	1,355,067
Customer service support		1,351,687	507,878	3,135,250	1,492,102
Depreciation		2,740	7,036	8,221	36,690
General and administrative expenses		472,814	598,912	1,691,856	1,492,021
Impairment of accounts receivable	3	12,500	163,440	101,847	163,440
Impairment of inventories	5	-	-	204,172	-
Marketing expenses		9,767,713	6,169,345	33,533,836	21,359,703
Professional fees		339,219	599,710	1,080,074	1,773,172
Regulatory and filing fees		8,355	13,715	55,975	210,259
Salaries and wages		941,978	1,018,857	3,026,942	2,963,752
Share-based payments		449,916	825,388	1,613,599	3,501,340
Travel and entertainment		2,377	26,470	16,390	100,293
Total expenses		**(14,187,715)**	**(10,494,940)**	**(47,393,408)**	**(34,447,839)**
Loss before other income (expenses)		**(1,528,949)**	**(1,670,061)**	**(7,222,742)**	**(5,958,603)**
Other income (expenses)					
Acquisition-related costs		-	-	-	(476,446)
Fair value adjustment of derivative liability	13	326,370	160,849	99,406	160,849
Finance income		2	65	5,928	(8,729)
Finance costs	15	(512,154)	(373,740)	(1,655,694)	(920,889)
Foreign exchange loss		(16,678)	(15,336)	(203,270)	(107,094)
Loss on remeasurement of warrant liabilities	10	1,270,231	-	(319,650)	-
Gain on settlement of the milestone shares		-	428,656	-	428,656
Grant and other assistance		-	-	-	409,145
Impairment of intangible assets	6	-	-	(190,002)	-
Write-off of advance payments		(102,337)	-	(102,337)	(430,000)
Total other income (expenses)		**965,434**	**200,494**	**(2,365,619)**	**(944,508)**
Net loss		**(563,515)**	**(1,469,567)**	**(9,588,361)**	**(6,903,111)**
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		(18,139)	(13,518)	(1,022)	(18,123)
Loss and comprehensive loss		**(581,654)**	**(1,483,085)**	**(9,589,383)**	**(6,921,234)**

(Expressed in United States Dollars)

		For the three months ended		For the nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Note(s)	$	$	$	$
Loss and comprehensive loss attributable to:					
Equity holders of the parent		(260,149)	(1,332,774)	(7,637,726)	(6,594,886)
Non-controlling interests		(303,366)	(136,793)	(1,950,635)	(308,225)
Total		**(563,515)**	**(1,469,567)**	**(9,588,361)**	**(6,903,111)**
Loss and comprehensive loss attributable to:					
Equity holders of the parent		(278,288)	(1,332,774)	(7,638,748)	(6,594,886)
Non-controlling interests		(303,366)	(136,793)	(1,950,635)	(308,225)
Total		**(581,654)**	**(1,469,567)**	**(9,589,383)**	**(6,903,111)**
Basic and diluted loss per share for the period attributable to common shareholders ($ per common share)		**(0.01)**	**(0.04)**	**(0.14)**	**(0.22)**
Weighted average number of common shares outstanding - basic and diluted		**71,867,107**	**37,546,891**	**66,723,591**	**31,795,187**

Simply Better Brands Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)

(Expressed in United States Dollars)

	Note(s)	Share #	capital $	Share subscription received $	Additional paid-in capital $	Reserves $	Accumulated deficit $	Accumulated other comprehensive income $	TOTAL $	Non-controlling interest $	TOTAL $
Balance as of December 31, 2022		**42,488,379**	**45,411,501**	**235,357**	**3,068,551**	**3,436,447**	**(39,570,086)**	**11,749**	**12,593,519**	**(1,452,685)**	**11,140,834**
Shares issued for cash - private placement	14	28,000,000	5,226,496	-	-	-	-	-	**5,226,496**	-	**5,226,496**
Shares issued for restricted share units	14	1,001,043	2,331,866	-	-	(2,331,866)	-	-	**-**	-	**-**
Share issue costs	14	-	(566,725)	-	-	335,700	-	-	**(231,025)**	-	**(231,025)**
Shares issued for debt settlement	14	148,925	29,380	-	-	-	-	-	**29,380**	-	**29,380**
Shares issued for earn out payments	14, 18	380,393	129,795	-	-	-	-	-	**129,795**	-	**129,795**
Shares issued for services		90,236	17,333	-	-	-	-	-	**17,333**	-	**17,333**
Reclassification of grant-date fair value on expired stock options	14	-	-	-	97,087	(97,087)	-	-	**-**	-	**-**
Reclassification of the grant-date fair value of warrant liabilities	10, 14	-	(1,315,424)	-	-	-	-	-	**(1,315,424)**	-	**(1,315,424)**
Reclassified the share subscription received to accounts payable and accrued liabilities		-	-	(235,357)	-	-	-	-	**(235,357)**	-	**(235,357)**
Share-based payments	14	-	-	-	-	1,466,471	-	-	**1,466,471**	-	**1,466,471**
Loss and comprehensive loss		-	-	-	-	-	(7,637,726)	(1,022)	**(7,638,748)**	(1,950,635)	**(9,589,383)**
Balance as of September 30, 2023		**72,108,976**	**51,264,222**	**-**	**3,165,638**	**2,809,665**	**(47,207,812)**	**10,727**	**10,042,440**	**(3,403,320)**	**6,639,120**

(Expressed in United States Dollars)

	Note(s)	Number of shares #	Amount $	Share subscription received $	Additional paid-in capital $	Reserves $	Accumulated deficit $	Accumulated other comprehensive income (loss) $	Total $	Non-controlling interest $	Total $
Balance as of December 31, 2021		**26,066,432**	**23,121,479**	**-**	**85,495**	**3,413,209**	**(27,269,441)**	**(1,170)**	**(650,428)**	**(1,404,465)**	**(2,054,893)**
Shares issued for acquisition	14	4,471,385	16,580,836	-	-	-	-	-	**16,580,836**	-	**16,580,836**
Shares issued for cash - private placement	14	10,646,928	2,430,485	-	-	-	-	-	**2,430,485**	-	**2,430,485**
Share issue costs	14	-	(151,628)	-	-	-	-	-	**(151,628)**	-	**(151,628)**
Share subscribed	14	-	-	250,000	-	-	-	-	**250,000**	-	**250,000**
Shares issued for conversion of convertible notes	14	283,527	1,025,162	-	-	-	-	-	**1,025,162**	-	**1,025,162**
Shares issued for promissory notes	14	140,351	506,702	-	-	-	-	-	**506,702**	-	**506,702**
Shares issued for services	12, 16	329,443	425,000	-	-	-	-	-	**425,000**	-	**425,000**
Fair value of milestone shares issued to Hervé	14	213,219	71,215	-	-	-	-	-	**71,215**	-	**71,215**
Reclassification of grant-date fair value on issue of shares for the restricted shares units	14	309,000	1,402,250	-	-	(1,402,250)	-	-	**-**	-	**-**
Share-based payments	14	-	-	-	-	3,501,340	-	-	**3,501,340**	-	**3,501,340**
Loss and comprehensive loss		-	-	-	-	-	(6,867,390)	(18,123)	**(6,885,513)**	(579,642)	**(7,465,155)**
Balance at September 30, 2022		**42,460,285**	**45,411,501**	**250,000**	**85,495**	**5,512,299**	**(34,136,831)**	**(19,293)**	**17,103,171**	**(1,984,107)**	**15,119,064**

(Expressed in United States Dollars)

		For the nine months ended	
	Note(s)	September 30, 2023 $	September 30, 2022 $
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(9,588,361)	(6,903,111)
Non-cash finance costs		1,442,504	877,086
Acquisition-related costs		-	238,584
Acquisition costs paid by common shares		-	237,862
Amortization	6	2,925,246	1,355,067
Non-cash debt issuance costs		-	41,035
Depreciation		8,221	36,690
Fair value adjustment of derivative liability	13	(99,406)	(160,849)
Impairment of intangible assets	6	190,002	-
Impairment of inventories	5	204,172	-
Impairment of receivable	3	101,847	163,440
Loss on remeasurement of warrant liabilities	10	319,650	-
Gain on settlement of the milestone shares		-	(428,656)
Share-based payments	14	1,613,599	3,501,340
Shares issued for services		-	475,000
Write-off of advance payments		102,337	430,000
Effects of currency exchange rate changes		(1,844)	(28,130)
Net changes in non-cash working capital items:			
Accounts receivable		2,957,811	(2,255,978)
Other receivable		14,630	(394,451)
Prepaid expenses		21,113	317,914
Deposits		-	8,516
Inventory		266,549	(549,697)
Accounts payable and accrued liabilities		(1,416,826)	89,908
Deferred revenue		(14,244)	(66,242)
Cash flow used in operating activities		**(953,000)**	**(3,014,672)**
INVESTING ACTIVITIES			
Cash assumed (paid) on acquisition, less transaction costs		-	1,811,839
Proceeds of redemption of investments		-	1,863,691
Purchase of property, plant and equipment		-	(6,520)
Cash flow provided by investing activities		**-**	**3,669,010**

(Expressed in United States Dollars)

		For the nine months ended	
	Note(s)	September 30, 2023 $	September 30, 2022 $
FINANCING ACTIVITIES			
Debt issuance costs		-	(41,035)
Lease payments		-	(33,756)
Proceeds on issuance of common shares, net of cash share issue costs	13	4,995,471	2,278,857
Proceeds on issuance of convertible notes, net of cash issuance costs		-	661,950
Proceeds on issuance of promissory notes	11	100,000	300,000
Advanced from the revolving credit facilities	8	13,639,208	4,455,843
Repayment of convertible notes	12	(1,725,650)	(553,665)
Repayment to the revolving credit facilities	8	(13,062,460)	(4,003,801)
Repayment of loan payable	9	(582,648)	(210,605)
Repayment of promissory notes	11	(1,480,483)	(4,116,634)
Shares subscribed		-	250,000
Cash flow provided by (used in) financing activities		**1,883,438**	**(1,012,846)**
Effects of exchange rate changes on cash		(1,323)	49,573
Increase (decrease) in cash		**929,115**	**(308,935)**
Opening cash		**2,343,178**	**2,234,993**
Closing cash		**3,272,293**	**1,926,058**
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See accompanying notes to these consolidated financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Simply Better Brands Corp. (the "Company" or "SBBC") was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 19, 2018 and changed its name from AF1 Capital Corp. to PureK Holdings Corp. on December 8, 2020 and from PureK Holdings Corp. to Simply Better Brands Corp. on May 3, 2021.

The Company is listed on the TSX Venture Exchange (the "Exchange").

The Company is an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. The Company focuses on innovation in the plant-based, natural, and clean ingredient space. The Company also focuses on expansion into high-growth consumer product categories including CBD products, plant-based food and beverage, and the global pet care and skin care industries. The head office and the registered address of the Company are 206 – 595 Howe Street Vancouver, British Columbia V6C 2T5.

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern. Such adjustments could be material.

As of September 30, 2023, the Company had an accumulated deficit of $47,207,812 (December 31, 2022 – $39,570,086) and a working capital deficit of $9,574,756 (December 31, 2022 – $9,335,718). The Company incurred a net loss of $9,588,361 during the nine months September 30, 2023 (September 30, 2022 – $6,903,111). These circumstances raise material uncertainties which may cast significant doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate financing to meet its present and future commitments and to generate profitable operations in the future.

Financial Reporting and Disclosure during Economic Uncertainty

The ongoing inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine are affecting current economic conditions and increasing economic uncertainty, which may impact the Company's operating performance, financial position and the Company's ability to raise funds at this time.

The unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2023 were approved by the Board of Directors on November 29, 2023.

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Basis of presentation

These unaudited condensed consolidated interim financial statements include the accounts of SBBC and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

Restatement of consolidated financial information for the three and nine months ended September 30, 2022

During the year ended December 31, 2022, the Company adjusted the fair value of the one of the loans payable as of September 30, 2022; as a result of the adjustments, the Company restated the financial information for the three and nine months ended September 30, 2022 to reflect the effect of the adjustments.

The following table summarizes the impact of the statements of loss and comprehensive loss for the three and nine months ended September 30, 2022, and the statements of cash flow for the nine months ended September 30, 2022:

Effect on statements of loss and comprehensive loss

	For the three months ended September 30, 2022		
	As previously presented $	Change $	As restated $
Finance costs	(327,048)	(46,692)	(373,740))
Gain (loss) on remeasurement of loan payable	200	(200)	-
Loss for the period	(1,422,675)	(46,892)	(1,469,567)
Total comprehensive loss	(1,436,193)	(46,892)	(1,483,085)
			-

	For the nine months ended September 30, 2022		
	As previously presented $	Change $	As restated $
Finance costs	(867,791)	(53,098)	(920,889)
Loss on remeasurement of loan payable	(597,019)	597,019	-
Loss for the period	(7,447,032)	543,921	(6,903,111)
Total comprehensive loss	(7,465,155)	543,921	(6,921,234)

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION (CONTINUED)

Restatement of consolidated financial information for the three and nine months ended September 30, 2022 (continued)

Effect on statements of cash flows

	For the nine months ended September 30, 2022		
	As previously presented $	Change $	As restated $
OPERATING ACTIVITIES			
Loss for the period	(7,447,032)	543,921	(6,903,111)
Accretion of interest of loan payable	414,598	53,098	467,696
Loss on modification of loan payable	597,019	(597,019)	-
Cash flow used in operating activities	(3,014,672)	-	(3,014,672)

There were no changes in cash flows provided by investing and financing activities.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2023 that impacted these condensed consolidated interim financial statements.

3. ACCOUNTS RECEIVABLE

Following is the aging of the Company's account receivable as of September 30, 2023 and December 31, 2022:

	Total $	Neither past due nor impaired $	< 90 days $	91 - 181 days $	>180 days $
September 30, 2023	1,555,534	1,231,389	158,250	165,895	-
December 31, 2022	4,616,267	3,990,603	552,522	73,142	-

As at September 30, 2023 and December 31, 2022, accounts receivable were comprised of amounts from credit card processors for sales online sales and amounts due from retailers. The majority of the balances as of September 30, 2023 and December 31, 2022 were collected subsequent to September 30, 2023 and December 31, 2022, respectively.

During the nine months ended September 30, 2023 and 2022, the Company recognized an impairment of receivable of $101,847 and $163,440, respectively.

(Expressed in United States Dollars)

4. PREPAID EXPENSES

Prepaid expenses mainly consist of the deposits advanced to the vendors.

5. INVENTORY

Inventories are comprised substantially of packaged finished goods ready for sale. Cost of goods sold is comprised of the cost of inventory sold and any adjustments to reduce the inventory to net realizable value.

During the nine months ended September 30, 2023, the Company recognized $204,172 impairment of inventories in the statement of loss and comprehensive loss for the obsolete inventories (September 30, 2022 – $nil).

6. INTANGBILE ASSETS

	Customer Base $	Trademark $	Website development costs $	Total $
COST				
As of December 31, 2022	1,902,000	8,380,858	323,400	**10,606,258**
As of September 30, 2023	**1,902,000**	**8,380,858**	**323,400**	**10,606,258**
ACCUMULATED AMORTIZATION				
As of December 31, 2022	(633,996)	(3,610,493)	(40,425)	**(4,284,914)**
Amortization	(475,497)	(2,328,474)	(121,275)	**(2,925,246)**
Impairment	-	(190,002)	-	**(190,002)**
As of September 30, 2023	**(1,109,493)**	**(6,128,969)**	**(161,700)**	**(7,400,162)**
Net book value as of September 30, 2023	**792,507**	**2,251,889**	**161,700**	**3,206,096**

During the nine months ended September 30, 2023, the Company impaired the trademark acquired through the acquisition of Herve with an amount of $190,002 (September 30, 2022 – $nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023 $	December 31, 2022 $
Accounts payable	4,347,813	4,920,402
Direct deposit payable and credit card	428,996	431,612
Sales tax payable	182,711	770,371
	4,959,520	**6,122,385**

(Expressed in United States Dollars)

8. AMOUNT DUE TO THE REVOLVING CREDIT FACILITIES

- **No B.S. Life, LLC ("No B.S.")**

The No B.S. Credit Facility #1

	$
As of December 31, 2022	-
Addition	400,000
Finance costs	20,403
Repayments	(40,000)
As of September 30, 2023	**380,403**

The Company through its subsidiary No B.S. entered into a line of credit agreement (the "No B.S. Credit Facility") with a credit facility of $655,000. The No B.S. Credit Facility bears an interest of 16% per annum calculated daily with no fixed payment term.

During the nine months ended September 30, 2023, the Company withdrew $400,000 (September 30, 2022 – $655,000) and make a repayment of $40,000 (September 30, 2022 – $414,488).

During the nine months ended September 30, 2023, the Company recognized $20,403 as finance costs (September 30, 2022 – $31,722).

As of September 30, 2023, the outstanding balance of the No B.S. Credit Facility, including the accrued interest, was $380,403 (December 31, 2021 – $nil).

Subsequent to September 30, 2023, the Company repaid the No B.S. Credit Facility in full.

The No B.S. Credit Facility #2

The Company, through its subsidiary No B.S., entered into a receivable purchase agreement (the "No B.S. Factoring Facility") with a credit facility of $500,000 for one year. The No B.S. Factoring Facility offered to factor 80% of the payable amount (the "Factored Amount") with a fee of 0.15% of the Factored Amount and a daily discount rate of 0.05% (collectively the "Facility Fees"). The Factored Amount is required to be repaid not less than 150 days from the date of factoring.

During the nine months ended September 30, 2023, the Company received $464,208 from the No B.S. Factoring Facility and incurred the Facility Fees of $34,697.

As of September 30, 2023, the balance of the No B.S. Factoring Facility was $498,905 (December 31, 2022 – $nil).

- **Tru Brands Inc. ("Tru Brands")**

The Company, through its subsidiary Tru Brands entered into two line of credit agreements with a credit facility of $6,000,000 (the "TB Credit Facility #1") and $700,000 (the "TB Credit Facility #2").

The TB Credit Facility #1 bears an interest of 15% per annum, calculated daily, with no fixed payment term and is secured against all assets of Tru Brands.

The TB Credit Facility #2 bears an interest of 14% per annum, calculated daily, with no fixed payment term.

(Expressed in United States Dollars)

8. AMOUNT DUE TO THE REVOLVING CREDIT FACILITIES (CONTINUED)

- **Tru Brands Inc. (continued)**

The TB Credit Facility #1

	$
As of December 31, 2022	3,909,772
Addition	12,775,000
Interest	417,296
Repayment	(12,610,000)
As of September 30, 2023	**4,492,068**

During the nine months ended September 30, 2023, the Company withdrew $13,355,000 (September 30, 2022 – $2,990,000) and made a repayment of $12,610,000 (September 30, 2022 – $3,381,623).

During the nine months ended September 30, 2023, the Company recognized $417,296 as finance costs (September 30, 2022 – $67,325).

As of September 30, 2023, the outstanding balance of the TB Credit Facility #1, including the accrued interest, was $4,492,068 (December 31, 2022 – $3,909,772).

The TB Credit Facility #2

	$
As of December 31, 2022	409,568
Interest	2,892
Repayment	(412,460)
As of September 30, 2023	-

During the nine months ended September 30, 2023, the Company withdrew $nil (September 30, 2022 – $700,000) and made a repayment of $412,460 (September 30, 2022 – $207,690).

During the nine months ended September 30, 2023, the Company recognized $2,892 as finance costs (September 30, 2022 – $9,308).

As of September 30, 2023, the outstanding balance of the TB Credit Facility #2, including the accrued interest, was $nil (December 31, 2022 – $409,568).

- **Hervé Edibles Limited**

During the nine months ended September 30, 2022, the Company through its subsidiary Hervé entered into a line of credit agreement (the "HE Credit Facility") with a credit facility. The HE Credit Facility bears an interest of 12% per annum and calculated daily with no fixed payment term.

During the nine months ended September 30, 2022, the Company withdrew $110,843 (CA$142,400) and recognized $4,072 as finance costs.

The HE Credit Facility was fully repaid during the year ended December 31, 2022.

9. LOAN PAYABLE

On December 11, 2020 (the "PKL Funding Date"), the Company's subsidiary PureKana, LLC ("PureKana") entered into a loan agreement (the "PK Loan") with a financial institution with an amount of $10,000,000 (the "PK Loan Amount"). The PK Loan is secured with all the assets of Purekana and guaranteed by the former founding members of Purekana. The PK Loan matures on December 11, 2025 (the "PKL Maturity Date").

From and after the PKL Funding Date until and including the PKL Maturity Date, the PK Loan bears an interest rate of US$ 3-month LIBOR determined as of the PKL Funding Date and as will adjust at each calendar quarter thereafter, plus 3.00% (the "FF Interest Rate").

Pursuant to the PK Loan, Purekana is required to set aside $325,000 as interest reserve.

From the PKL Funding Date to December 11, 2021, interest on the outstanding PK Loan Amount will be capitalized to the PK Loan Amount (the "PKL Capitalized Interest"). Subsequently, any outstanding interest will be payable on the fifth day of each calendar quarter commencing January 5, 2022 (the "PKL Quarterly Payment"), and on the PKL Maturity Date.

The PK Loan Amount and PKL Capitalized Interest should be paid as follows:

- On December 11, 2023 – 15% of the PK Loan Amount [1]
- On December 11, 2024 – 15% of the PK Loan Amount
- On December 11, 2025 – the remaining PK Loan Amount and the PKL Capitalized Interest

1) Purekana is currently in discussions with the financial institution to restructure that loan payment into several installments to be paid over the next eight months.

The PK Loan contains financial covenants stating that the debt service coverage ratio (the "Debt Service Coverage Ratio") of Purekana at the end of each calendar year from December 31, 2020 to the PKL Maturity Date should not be less than 1.20. As of September 30, 2023 and December 31, 2022, Purekana was not in compliance with the Debt service coverage ratio; as a result, Purekana reclassified the PK Loan as current.

Pursuant to the PK Loan, the Debt Service Coverage Ratio is defined as the quotient of PureKana's adjusted earnings before interest, taxes, depreciation, and amortization (the "Adjusted EBITDA") for each reporting period divided by a ten-year amortization of the Loan which is the sum of the interest expense for the reporting period and the scheduled principal payments made with respect to the PK Loan Amount for the reporting period. The Adjusted EBITDA is defined as the unadjusted EBITDA adjusted for any non-recurring, one-time, or irregular items.

(Expressed in United States Dollars)

9. LOAN PAYABLE (CONTINUED)

The changes of the PK Loan during the nine months ended September 30, 2023 are as follows:

	$
As of December 31, 2022	10,314,840
Interest	661,169
Repayment	(582,648)
As of September 30, 2023	**10,393,361**

During the nine months ended September 30, 2023, the Company recognized $661,169 as finance costs (September 30, 2022 – $355,219).

During the nine months ended September 30, 2023, the Company made PKL Quarterly Payments with an amount of $582,648 (September 30, 2022 – $210,605).

As at September 30, 2023, the carrying value of the PK Loan is $10,393,361 which is classified as current liability (December 31, 2022 – $10,314,840).

10. WARRANT LIABILITIES

A reconciliation of the change in fair value of the warrant derivative is as follows:

	Number outstanding	Fair value of warrant derivative ($)
As of December 31, 2022	-	-
Issued	14,000,000	1,315,424
Change in fair value	-	319,650
As of September 30, 2023	**14,000,000**	**1,635,074**

In connection with the private placement completed during the nine months ended September 30, 2023, the Company issued 14,000,000 share purchase warrants (the “2023 Warrants”) (Note 14). Each whole warrant entitles its holder to purchase one additional common share at an exercise price of CA$0.45 for a period of two years following the closing of the private placement.

Under IFRS 9 Financial Instruments and IAS 32 Financial Instruments: Presentation, warrants with an exercise price denominated in a currency that differs from an entity's functional currency are treated as a derivative measured at fair value with subsequent changes in fair value accounted for through profit and loss. As these warrants are exercised, the fair value at the date of exercise and the associated non-cash liability will be included in our share capital along with the proceeds from the exercise. If these warrants expire, the non-cash warrant liability is reversed through the consolidated statement of loss. There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the warrant derivative or when warrants expire unexercised.

(Expressed in United States Dollars)

10. WARRANT LIABILITIES (CONTINUED)

The 2023 Warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company. The Company determined the fair value of the 2023 Warrants at the date of issuance ($1,315,424) using the Black-Scholes option pricing model with the following assumptions:

- Stock price CA$0.40
- Risk free interest rate 4.27%
- Expected volatility 140%
- Expected life (in years) 2
- Forfeiture rate nil
- Expected dividend nil
- Exchange rate (CA$ to US$) 0.74

The fair value of the 2023 Warrants was revalued as of September 30, 2023 using the Black-Scholes option pricing model with the following assumptions:

- Stock price CA$0.26
- Risk free interest rate 4.83%
- Expected volatility 173%
- Expected life (in years) 1.38
- Forfeiture rate nil
- Expected dividend nil
- Exchange rate (CA$ to US$) 0.736

As a result of the revaluation, the Company recognized a loss on remeasurement of warrant liability of $319,650 in the consolidated statements of loss and comprehensive loss during the nine months ended September 30, 2023.

The warrant liabilities were reclassified as non-current liabilities as their liquidation is not reasonably expected to require the use of current assets or require the creation of current liabilities.

The following summarizes information about warrant derivative outstanding as of September 30, 2023:

Expiry date	Exercise price (CA$)	Warrants outstanding	Fair Value of Warrant Derivative	Weighted average remaining contractual life (in years)
February 14, 2025	0.45	10,010,000	1,169,010	1.38
February 21, 2025	0.45	3,990,000	466,064	1.40
		14,000,000	**1,635,074**	**1.39**
Weighted average exercise price ($)		**0.45**		

(Expressed in United States Dollars)

11. PROMISSORY NOTES

	$
As of December 31, 2022	2,420,316
Addition	100,000
Interest	152,720
Repayment	(1,480,483)
As of September 30, 2023	**1,192,553**
Current	672,143
Long-term	520,410
As of September 30, 2023	**1,192,553**

<u>During the nine months ended September 30, 2023</u>

- During the year ended December 31, 2022, the Company entered into a loan agreement with an amount of $1,000,000 of which $100,000 was received during the nine months ended September 30, 2023.

- The Company repaid the promissory notes of $1,480,483.

<u>During the nine months ended September 30, 2022</u>

- The Company issued a promissory note for cash proceeds of $300,000. The promissory note bears interest at 12% per annum and matures on March 3, 2023. The Company repaid the principal amount of $300,000 plus outstanding interest of $16,861.

- The Company repaid a promissory note issued December 20, 2021 with a principal amount of $500,000 plus outstanding interest of $39,123.

- The Company made a payment of $3,260,650 to the promissory notes issued in connection with the acquisition of PureKana on December 4, 2020.

- The Company entered into a debt settlement arrangement with Heavenly Rx LLC to settle the $480,000 promissory note issued on March 3, 2021, by the common shares of the Company. Pursuant to the debt settlement agreement, the principal amount of $480,000 plus outstanding interest of $26,702, was satisfied by issuing 140,351 common shares of the Company (Note 14). As a result of the settlement, the Company reclassified the carrying value of the promissory notes of $506,702 to share capital.

An interest expense of $152,270 (September 30, 2022 – $226,080) was recorded as finance costs with a corresponding increase in the carrying value of the liability.

As at September 30, 2023, the carrying value of the promissory notes is $1,192,553 (December 31, 2022 – $2,420,316) of which $672,143 (December 31, 2022 – $1,793,119) was classified as current liability.

(Expressed in United States Dollars)

12. CONVERTIBLE NOTES

	$
As of December 31, 2022	2,100,303
Interest	153,327
Repayment	(1,725,650)
Interest payable transferred to accounts payable and accrued liabilities	(47,318)
Effect of movements on exchange rates	(1,844)
As of September 30, 2023	**478,818**

<u>During the nine months ended September 30, 2023</u>

- The Company repaid the convertible notes with a principal value of $1,620,000 plus outstanding interest of $105,650.
- The Company made an interest payment of $63,008 (CA$85,000) which was initially recorded in accounts payable and accrual liabilities.

<u>During the nine months ended September 30, 2022</u>

- Convertible notes with a principal value of $1,021,850 including outstanding interest were converted into 283,527 common shares (Note 14); as a result of conversion, the Company reclassified the carrying value of the converted convertible notes of $1,025,162 to share capital.
- The Company repaid the convertible notes with a principal value of $530,100 plus outstanding interest of $23,565.
- The Company issued CA$850,000 ($661,950) 2-year 10% unsecured convertible notes. Interest is payable on each calendar-quarter-end date until maturity (the "Interest Due Date"). Subject to the approval of the Exchange, the outstanding interest may be converted into common shares at the higher of (i) the 15-trading day VWAP on each such applicable payment date or (ii) the market price of the common shares. The convertible notes are convertible at the election of the holder into one common share and a one-half common share purchase warrant for each common share exercisable at CA$0.59 at a conversion price of CA$0.39 per common share. The Company may force the conversion of the convertible notes in the event the VWAP of the common shares on the Exchange is greater than CA$1.00 for any five (5) consecutive trading days.

  The Company determined that it had an obligation to the convertible notes' holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ and CA$ at the date of conversion. As a derivative liability, it should be re-measured at each reporting period.

  For accounting purposes, the Company calculated the fair value of the derivative liability ($248,503 (CA$319,038)) at the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions and recorded these values as a derivative liability:

  - Risk-free interest rate of 3.02%
  - Expected life of 2 years
  - Expected volatility of 84% and
  - Expected dividend yield of 10%

(Expressed in United States Dollars)

12. CONVERTIBLE NOTES (CONTINUED)

During the nine months ended September 30, 2022 (continued)

The remaining balance of $413,447 was recorded as convertible notes. The carrying value of the convertible notes is being accreted to the principal amount of the convertible notes share over the two years by the effective interest rate method.

In connection with the issuance of the issuance of convertible notes, the Company incurred transaction costs of $41,035.

During the nine months ended September 30, 2023, accretion expense of $153,327 (September 30, 2022 – $150,578) was recorded as finance cost with a corresponding increase in the carrying value of the convertible notes.

As of September 30, 2023 and December 31, 2022, the carrying value of the convertible notes was $478,818 and $2,100,303 of which $478,818 and $1,711,223 were classified as current liabilities respectively.

13. DERIVATIVE LIABILITY

During the year ended December 31, 2022, the Company issued CA$850,000 ($661,950) 2-year 10% unsecured convertible notes (Note 12). Interest is payable on each calendar-quarter-end date until maturity (the "Interest Due Date"). The Company determined that it had an obligation to the convertible notes' holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ and CA$ at the date of conversion. As a derivative liability, it should be re-measured at each reporting period.

As of September 30, 2023, the Company remeasured the fair value of the derivative liability ($75,716) using the Black-Scholes option pricing model with the following assumptions:

- Stock price	CA$0.26
- Risk free interest rate	4.83%
- Expected volatility	93%
- Expected life (in years)	0.86
- Forfeiture rate	nil
- Expected dividend	10%
- Exchange rate (CA$ to US$)	0.736

As a result of the revaluation, the Company recognized a gain on remeasurement of derivative liability of $99,406 in the consolidated statements of loss and comprehensive loss during the nine months ended September 30, 2023 September 30, 2022 – $160,849).

As of September 30, 2023 and December 31, 2022, the fair value of the derivative liability was $75,716 and $175,122, respectively.

14. SHARE CAPITAL

Authorized share capital
Unlimited number of series 1 preferred shares without par value.
Unlimited number of common shares without par value.

Escrow shares
In conjunction with the acquisition of the BRN Group Inc. during the year ended December 31, 2022, 409,243 common shares ("BRN Consideration Shares") have been placed in escrow, subject to release upon the satisfaction of certain conditions. These shares were released from escrow during the nine months ended September 30, 2023.

As of September 30, 2023, no common shares held in escrow (December 31, 2022 – 409,243).

Issued share capital
As of September 30, 2023, the Company had 72,108,976 common shares (December 31, 2022 – 42,488,379) common shares issued and outstanding.

During the nine months ended September 30, 2023

- The Company completed a private placement of 28,000,000 units ("2023 Units") at a price of CA$0.25 for gross proceeds of $5,226,496 (CA$7,000,000). Each 2023 Unit consists of one common share with a fair value of $0.14 and one-half of one common share purchase warrant ($0.47). Each whole warrant ("2023 Warrants") entitles its holder to purchase one additional common share at an exercise price of CA$0.45 for a period of two years following the closing of the private placement. The 2023 Warrants were classified as a financial liability (Note 10).

  In connection with the private placement, the Company paid a finders' fee of $334,765 (CA$449,400) and issued 1,797,600 non-transferable finders warrants with a fair value of $335,700 and recorded these values as share issuance costs (collectively the "2023 Finders' Fees"). Each finder's warrant may be exercised to acquire one 2023 Unit at CA$0.25 per 2023 Unit for 2 years.

  Including the 2023 Finders' Fees, the Company incurred total share issuance costs of $757,334 of which $566,725 were allocated to share issue costs and $190,069 were recognized as finance costs in consolidated statements of loss and comprehensive losses, based on the relative fair values of the common shares and the 2023 Warrants.

- Issued 148,925 common shares to settle $29,380 payables which included in the accounts payable and accrued liabilities as of December 31, 2022.

- The Company issued 1,001,043 common shares with a fair value of $2,331,866 for the restricted share unit.

- The Company issued 380,393 common shares with a fair value of $129,795 pursuant to the Earnout Agreement (Note 18). This amount was recognized as share-based payments in the statements of loss and comprehensive loss.

- The Company issued 90,236 common shares with a fair value of $17,333 for consulting services.

14. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the nine months ended Septbember 30, 2022

- In connection to the acquisition of Hervé Edibles Limited ("Hervé"), the Company issued 1,705,755 common shares with fair value of $6,342,974 (CA$8,000,000) to acquire all of the issued and outstanding common shares of Hervé. In addition, the Company issued 63,961 common shares, which are subject to a statutory 4-month hold period, with fair value of $237,862 (CA$300,000) as finders' fee.

- In connection to the acquisition of BRN Group Inc. ("BRN"), the Company issued 2,701,669 common shares of the Company with fair value of $10,000,000 of which 405,250 common shares with fair value of $1,500,000 were placed in escrow. The BRN Consideration Shares issued at the closing date are subject to a contractual lock-up for a period of 6 months from the date of issuance, with 1/12 of the consideration being released from the transfer restrictions every month for 12 months thereafter.

- The Company issued 283,527 common shares for conversion of the convertible notes. As a result of the conversion, the Company reclassified the carrying value of the convertible notes ($1,025,162) to share capital.

- The Company issued 140,351 common shares to satisfy the promissory note with a principal amount of $480,000, including outstanding interest of $26,702.

- The Company issued 309,000 common shares with fair value of $1,402,250 for the restricted share unit.

- The Company issued 108,177 common shares with fair value of $375,000 for advisory services.

- The Company completed a non-brokered private placement at a price of CA$0.295 of 10,646,928 common shares for gross proceeds of $2,430,485 (CA$3,140,844).

- Pursuant to the share price agreement of Hervé (Note 3), the Company issued 213,219 common shares as the Hervé Milestone Shares with fair value of $71,215.

- The Company issued 221,266 with fair value of $50,000 pursuant to the Sponsorship Agreement (Note 16).

- In connection with the shares issued, the Company paid $151,628 share issuance costs.

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

Equity Warrants

The changes in warrants during the nine months ended September 30, 2023, are as follows:

	Number outstanding	Weighted average exercise price ($)
As of December 31, 2022	500,000	0.55
Issued	1,797,600	0.25
As of September 30, 2023	**2,297,600**	**0.32**

The following summarizes information about warrants outstanding as of September 30, 2023:

Expiry date	Exercise price (CA$)	Warrants outstanding	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
November 14, 2024	0.55	500,000	106,675	1.13
February 14, 2025 (1)	0.25	1,352,400	253,353	1.38
February 21, 2025 (1)	0.25	445,200	82,347	1.40
		2,297,600	**442,375**	**1.33**
Weighted average exercise price ($)		**0.32**		

(1) Each warrant entitles its holder to purchase one common share and one-half of one common share purchase warrant. Each whole Warrant entitles the holder to acquire one Common Share for a period of two years following the closing of the financing at an exercise price of $0.45 per Common Share

In addition to the outstanding warrants as of September 30, 2023, the outstanding convertible notes with a principal amount of CA$850,000 are convertible at the election of the holder into one common share and a one-half common share purchase warrant for each common share exercisable at CA$0.59 at a conversion price of CA$0.39 per common share (Note 12).

Equity Incentive Plan (the "Incentive Plan")

To provide a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Company and its subsidiaries, the Company implemented an Incentive Plan which includes the stock options, Restricted Share Unit ("RSU") Plan and Deferred Share Unit (the "DSU"). The Incentive Plan is administered by the Board of Directors, which sets the terms of incentive awards under the Incentive Plan. The maximum number of common shares available for issuance under the Incentive Plan is limited to 10% of the Company's outstanding common shares at any one time.

Under the Incentive Plan, an option's maximum term is ten years from the grant date. Under the stock option plan, the Board has the option of determining vesting periods. Grants of RSUs and DSUs vest as to one-third on each of the first, second and third anniversaries of the date of grant, unless otherwise set by the Board or plan administrator.

The Incentive Plan was approved at the annual general and special meeting held on July 15, 2021.

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **Stock options**

The changes in stock options during the nine months ended September 30, 2023, are as follows:

	Number outstanding	Weighted average exercise price ($)
As of December 31, 2022	616,000	3.74
Granted	775,000	0.27
Cancelled	(30,334)	5.70
Forfeited	(73,666)	3.68
As of September 30, 2023	**1,287,000**	**1.61**

During the nine months ended September 30, 2023

- On January 23, 2023, the Company granted 425,000 options with an exercise price of CA$0.27 to the Company's CFO. The options are exercisable for a period of five years. One-fourth vest will vest every six months thereafter.

- On January 23, 2023, the Company granted 350,000 options with an exercise price of CA$0.27 to its employees and consultants of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

- 30,334 options cancelled and 73,666 options forfeited.

During the nine months ended September 30, 2022

- On February 23, 2022, the Company granted 15,000 options with an exercise price of CA$4.70 to the consultant of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

- On August 4, 2022, the Company granted 227,000 options with an exercise price of CA$0.39 to its employees. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.

- The Company entered into an agreement to cancel a total of 932,030 options previously granted to the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). As a result of the cancellation, pursuant to IFRS 2, "Share-Based Payment", the Company recognized the amount that otherwise would have been recognized over the remainder of the vesting period with an amount of $380,352 during the nine months ended September 30, 2022.

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **Stock options (continued)**

The estimated grant date fair value of the options granted during the nine months ended September 30, 2023 was calculated using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	775,000
Risk-free interest rate	3.09%
Expected annual volatility	90%
Expected life (in years)	5
Expected dividend yield	-
Grant date fair value per option (CA$)	0.19
Share price at grant date (CA$)	0.27

During the nine months ended September 30, 2023, the Company recognized share-based payments expense of $174,249 (September 30, 2022 – $1,585,848) arising from the stock options.

The following summarizes information about stock options outstanding and exercisable as at September 30, 2023:

Expiry date	Exercise price (CA$)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
July 26, 2026	5.70	298,000	198,668	953,784	2.82
February 23, 2027	5.70	15,000	5,000	39,255	3.40
August 4, 2027	0.39	199,000	66,339	50,628	3.85
January 23, 2028	0.27	775,000	106,250	111,218	4.32
		1,287,000	**376,257**	**1,154,885**	**3.89**
Weighted average exercise price ($)		**1.61**	**3.23**		

The weighted average remaining vesting period of the vested options is 3.43 years.

- **RSU**

The Incentive Plan permits the Company to either redeem RSUs for cash, issue common shares of the Company from treasury, or purchase common shares of the Company on the open market, to satisfy all or any portion of a vested RSU award.

14. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **RSU (continued)**

During the nine months ended September 30, 2023

- On January 23, 2023, the Company issued 925,000 RSUs with fair value of $186,852 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- On March 20, 2023, the Company issued 150,000 RSUs with fair value of $33,452 to the Company's director. One-fourth will vest every six months thereafter.
- On May 12, 2023, the Company issued 2,070,000 RSUs with fair value of $658,260 to the Company's CEO, CFO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- The Company issued 1,001,043 common shares for the restricted share unit.
- 3,803 RSUs forfeited.

During the nine months ended September 30, 2022

- On February 23, 2022, the Company issued the following RSUs:
  - 24,370 RSUs with fair value of $93,435 to its employees and consultants. One-third will vest every six months thereafter.
  - 500,000 RSUs with fair value of $1,917,000 to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.
  - 285,000 RSUs with fair value of $1,092,690 to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.
  - 50,000 RSUs with fair value of $191,700 to its director. All RSUs granted vest on the first anniversary.
- The Company issued 900,000 RSUs with fair value of $288,900 to its consultant, directors and officers. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- 8,310 RSUs forfeited.

During the nine months ended September 30, 2023, the Company recognized share-based payments expense of $1,290,222 (September 30, 2022 – $1,915,492) arising from the RSUs.

As of September 30, 2023, the Company had 4,001,089 RSUs (December 31, 2022 – 1,860,935) issued and outstanding.

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

- **DSU**
  The Incentive Plan permits the Company to either redeem DSUs for cash or issue common shares of the Company from treasury, to satisfy all or any portion of a vested DSU award.

Non-controlling interest ("NCI")

The Company includes three subsidiaries, PureKana, No B.S. Skincare and CMG, with NCI.

The ownership interest held by the NCI as of September 30, 2023 is as follows:

- Purekana 49.90% (December 31, 2022 – 49.90%);
- No B.S. Skincare 17.46% (December 31, 2022 – 17.46%); and
- Crisp Management Group Inc. ("CMG") 40.00% (December 31, 2022 – 40%).

The following schedule shows the effects of the changes in non-controlling interest during the nine months ended September 30, 2023:

	$
As of December 31, 2022	(1,452,685)
Share of loss	(1,800,935)
As of September 30, 2023	**(3,253,620)**

No dividends were paid to the NCI during the nine months ended September 30, 2023.

Summarized financial information for the subsidiaries with NCI, before inter-company eliminations, is set out below:

PureKana

As of:	September 30, 2023 $	December 31, 2022 $
Current assets	4,743,738	8,282,079
Non-current assets	3,095,892	3,217,167
TOTAL ASSETS	**7,839,630**	**11,499,246**
Current liabilities	(13,100,240)	(12,851,396)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(13,100,240)**	**(12,851,396)**
Equity attributable to owners of the parent	**(2,635,566)**	**(677,427)**
Non-controlling interests	**(2,625,044)**	**(674,723)**

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

Non-controlling interest ("NCI") (continued)

PureKana (continued)

For the nine months ended	September 30, 2023 $	December 31, 2022 $
Revenue	37,946,439	50,310,098
Net income (loss)	(3,908,460)	58,182
Income (loss) and comprehensive income (loss)	(3,908,460)	58,182
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(1,958,138)**	**29,149**
Non-controlling interests	**(1,950,322)**	**29,033**
Cash flow provided by (used in) operating activities	145,241	821,562
Cash flow provided by (used in) investing activities	-	(323,400)
Cash flow provided by (used in) financing activities	(582,648)	(372,941)
Net cash flow	**(437,407)**	**125,221**

No B.S. Skincare

As of:	September 30, 2023 $	December 31, 2022 $
Current assets	1,930,831	543,846
Non-current assets	2,249	2,249
TOTAL ASSETS	**1,933,080**	**546,095**
Current liabilities	(2,370,954)	(982,179)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(2,370,954)**	**(982,179)**
Equity attributable to owners of the parent	**(361,399)**	**(359,922)**
Non-controlling interests	**(76,475)**	**(76,162)**

(Expressed in United States Dollars)

14. SHARE CAPITAL (CONTINUED)

Non-controlling interest ("NCI") (continued)

No B.S. Skincare (continued)

For the nine months ended	September 30, 2023 $	December 31, 2022 $
Revenue	1,429,419	2,145,622
Net income (loss)	(1,790)	(442,331)
Income (loss) and comprehensive income (loss)	(1,790)	(442,331)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(1,477)**	**(365,078)**
Non-controlling interests	**(313)**	**(77,253)**
Cash flow provided by (used in) operating activities	(418,332)	(6,211)
Cash flow provided by (used in) investing activities	-	-
Cash flow provided by (used in) financing activities	824,208	(33,228)
Net cash flow	**405,876**	**(39,439)**

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of the common shares issued and outstanding during the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

15. FINANCE COSTS

	For the nine months ended	
	September 30, 2023 $	September 30, 2022 $
Accretion of interest of convertible notes	153,327	150,578
Accretion of interest of lease obligation	-	1,594
Accretion of interest of loan payable	661,169	355,219
Accretion of interest of promissory notes	152,720	258,812
Interest on the revolving credit facilities	475,288	112,477
Debt issuance costs	-	41,035
Share issuance costs	190,609	-
Others	22,581	1,174
	1,655,694	**920,889**

(Expressed in United States Dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

		For the nine months ended	
	Note(s)	September 30, 2023 $	September 30, 2022 $
Fair value of finders' warrants	14	335,700	-
Fair value of milestone shares issued		-	71,215
Initial recognition of provision		-	499,871
Interest payable transferred to accounts payable and accrued liabilities	12	47,318	10,226
Reclassification of fair value of derivative liability related to the convertible notes		-	248,503
Reclassification of grant-date fair value on expired stock options	14	97,087	-
Reclassification of the grant-date fair value of warrant liabilities	14	1,315,424	-
Reclassified the share subscription received to accounts payable and accrued liabilities		235,357	-
Shares issued for acquisition		-	16,342,974
Shares issued for conversion of convertible notes		-	1,025,162
Shares issued for debt settlement	14	29,380	-
Shares issued for promissory notes		-	506,702
Shares issued for restricted share units	14	2,331,866	1,402,250
Cash paid for income taxes		-	-
Cash paid for interest		942,648	425,404

17. RELATED PARTIES

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

During the nine months ended September 30, 2023, the key management compensation was:

- Salaries and benefits – $584,823 (September 30, 2022 – $559,665)
- Share-based payments – $1,279,399 (September 30, 2022– $2,703,347)

In addition to the compensation above, the Company granted the following options and RSUs to the Company's officers and directors:

During the nine months ended September 30, 2023:

- 425,000 options with an exercise price of CA$0.27 to the Company's CFO. The options are exercisable for a period of five years. One-fourth vest will vest every six months thereafter.

- 3,145,000 RSUs with a fair value of $878,564 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

17. RELATED PARTIES (CONTINUED)

During the nine months ended September 30, 2022:

- 500,000 RSUs with fair value of $1,917,000 to its officers. One-third vest on the first anniversary and one-sixth will vest every six months thereafter.

- 285,000 RSUs with a fair value of $1,092,690 to its directors. One-half vest on the first anniversary and one-sixth will vest every six months thereafter.

- 50,000 RSUs with a fair value of $191,700 to its director. All RSUs granted vest on the first anniversary.

- 900,000 RSUs with fair value of $288,900 to its officers and directors. One-sixth will vest every six months after the grant date.

The fair value of the options and RSUs will amortize over the vesting period.

18. COMMITMENTS

- On January 25, 2023, the Company entered into a Branding Earnout Agreement (the "Earnout Agreement") with a group of individual rights holders each of whom are at arm's length to the Company, to advance "Vibez", a new brand of Keto products in the direct-to-consumer market in the United States (the "Brand"). Pursuant to the Earnout Agreement, the Company has partnered with industry experts to advance the Brand.

  Under the terms of the Earnout Agreement, the Company will make an initial payment of $250,000 in common shares of the Company, at a price per share CA$0.32. The Company may also make bi-monthly earnout payments in the amount of CA$187,000, if the Brand achieves certain sales targets set out in the Earnout Agreement (the "Earnout Payments"). Sales in the Earnout Agreement related to the milestone payments over 24 months total $14.98 million (approximately CA$20 million). The Earnout Payments are payable in cash or common shares, at a price per common share equal to the higher of (i) the five-day VWAP of the common shares on the TSXV, or (ii) CA$0.32. SBBC may issue up to a maximum of $2,250,000 in cash or common shares, at the Company's discretion, over a 2-year period pursuant to the Earnout Payments.

  During the nine months ended September 30, 2023, the Company issued 380,393 common shares as Earnout Payments.

19. CONTINGENCIES

Litigation

On August 24, 2023, the Company received a claim filed by two promissory noteholders, for which a subsidiary of the Company had issued the promissory notes in connection with the acquisition of PureKana on December 4, 2020. The claim alleges that the subsidiary has not fulfilled its obligation to repay the promissory notes. The Company is of the view that the promissory notes, including interest, have been fully repaid during the year ended December 31, 2022. No amount has been provided in these financial statements for this claim because it is too early to predict the outcome of this claim; however, management's view is that the claim against the Company is without merit.

In addition, in the normal course of business, the Company may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. After consulting legal counsel, the Company does not believe any adverse judgments will have a material effect on the operations of the Company.

20. SEGMENTED INFORMATION

The Company operates in one reportable segment being the sale of consumer health and wellness products with sales principally generated from the United States. All of the Company’s non-current assets are located in United States.

During the nine months ended September 30, 2023 and 2022, one and four vendors represented more than 75% of the Company’s inventory purchases, respectively.

During the nine months ended September 30, 2023, there was one customer which made up more than 10% of sales (September 30, 2022 – one customer).

21. CAPITAL MANAGEMENT

The Company’s objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company’s ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

The Company defines capital as being the total of shareholders’ equity, loans and borrowings.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company’s approach to capital management during the nine months ended September 30, 2023. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 9. As of September 30, 2023, the Company the Company was not in compliance with these financial covenants.

(Expressed in United States Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

	September 30, 2023 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	3,272,293	-	3,272,293	-
Accounts receivable	1,555,534	-	1,555,534	-
Other receivable	119,869	-	119,869	-
Restricted cash	325,000	-	325,000	-
Deposits	3,783	-	3,783	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(4,959,520)	-	(4,959,520)	-
Derivative liability	(75,716)	(75,716)	-	-
Amount due to the revolving credit facilities	(5,371,376)	-	(5,371,376)	-
Loan payable	(10,393,361)	-	(10,393,361)	-
Current portion of promissory note	(672,143)	-	(672,143)	-
Current portion of convertible notes	(478,818)	-	(478,818)	-
Warrant liabilities	(1,635,074)	(1,635,074)	-	-
Promissory note	(520,410)	-	(520,410)	-

	December 31, 2022 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	2,343,178	-	2,343,178	-
Accounts receivable	4,616,267	-	4,616,267	-
Other receivable	134,500	-	134,500	-
Restricted cash	325,000	-	325,000	-
Deposits	3,783	-	3,783	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,122,385)	-	(6,122,385)	-
Derivative liability	(175,122)	(175,122)	-	-
Loan payable	(10,314,840)	-	(10,314,840)	-
Current portion of promissory note	(1,793,119)	-	(1,793,119)	-
Current portion of convertible notes	(1,711,223)	-	(1,711,223)	-
Promissory note	(627,197)	-	(627,197)	-
Convertible notes	(389,080)	-	(389,080)	-

(Expressed in United States Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3 – Unobservable (supported by little or no market activity) prices.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets and liabilities at fair value through profit or loss as of September 30, 2023 are shown below:

		Estimated fair value		
	September 30, 2023	Level 1 $	Level 2 $	Level 3 $
Current portion of derivative liability	(75,716)	-	-	(75,716)
Warrant liabilities	(1,635,074)	-	-	(1,635,074)

The financial instrument recorded at fair value on the statement of financial position is derivative liability and warrant liabilities which is measured using Level 3 of the fair value hierarchy. Level 3 inputs for other derivative liability include the use of the Black-Scholes option pricing model. Estimates are made regarding (i) the discount rate used, (ii) the expected life of the instruments, (iii) the volatility of the Company's common shares price which are driven by historical information and the expected dividend yield. Refer to Notes 10 and 13 for further disclosures.

As of September 30, 2023 and December 31, 2022, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1 and Level 2 in the fair value hierarchy above.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

The Company's activities expose to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of being affected by these risks. The Company uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. When material, these risks are also reviewed and monitored by the Board of Directors.

Market risk

- Foreign currency risk

  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US$. The Company has not entered into any foreign currency contracts to mitigate this risk. The risk is measured using sensitivity analysis and cash flow forecasting.

  As of September 30, 2023, the majority of the Company’s monetary assets and liabilities are denominated in US$; as a result, management believes the currency risk is minimal.

  The Company’s derivative liability may expose to the currency risk as the Company’s share is trading in CA$. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% appreciation or depreciation of the US$ against CA$ would provide insignificant impacts on the fair value of the derivative liability.

- Price risk

  The Company’s derivative liability may be exposed to the price risk as the share price of the Company is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% increase (decrease) in the share price of the Company as of September 30, 2023 would provide insignificant impacts on the fair value of the derivative liability.

- Interest rate risk

  The Company’s interest rate risk principally arises from fluctuations in the US$ LIBOR rate as it relates to the Company’s loan payable. A 1% change in the US$ LIBOR rate would result in approximately a $100,000 impact on the Company’s profit or loss for nine months ended September 30, 2023. The Company has not entered into any interest rate swaps to mitigate this risk.

  The Company’s derivative liability may expose to the interest as the risk-free interest rate is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 1% increase (decrease) in the risk-free interest rate would provide insignificant impacts on the fair value of the derivative liability.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States and Canada financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

The Company's extension of credit to customers involves judgment and is based on an evaluation of each customer's financial condition and payment history. The Company's credit controls and processes cannot eliminate credit risk.

The Company accounts for credit risk by primarily allocating specific provisions to trade accounts. During the nine months ended September 30, 2023, the Company transacted with a few new customers for which financial positions deteriorated during the year. The Company has recorded specific provisions related to these customers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of September 30, 2023, the Company had cash of $3,272,293 to meet short-term business requirements. As of September 30, 2023, the Company had current liabilities of $21,973,704 (Note 1 – Going Concern).