SIMPLY BETTER BRANDS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in United States Dollars)

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of
Simply Better Brands Corp.

Opinion

We have audited the consolidated financial statements of Simply Better Brands Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022, and 2021, and the consolidated statements of loss and comprehensive loss, the shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022, and 2021, and its financial performance and its 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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of the audit report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of Impairment of Goodwill and other Intangible Assets (see Notes 8 and 9 to the financial statements)

Description of the matter

We identified the evaluation of impairment of goodwill and other intangible assets as a key audit matter because of certain significant assumptions management makes in determining the estimate, including revenue and gross margin projections and the discount rate.

Why the matter is a key audit matter

Auditing management's assumptions of revenue and gross margin projections and the discount rate involved a high degree of auditor judgment and increased audit effort, including the use of valuation specialists, as changes in these assumptions could have a significant impact on the fair value of cash generating unit and potential impairment charges.

How the matter was addressed in the audit

Our audit procedures related to the Company's evaluation of impairment of goodwill and other intangible assets included the following, among others:

- We obtained an understanding of the relevant controls related to the development of forecasts of future revenues and gross margin projections and assessed the design and implementation of such controls.

- We obtained the impairment analyses from management and the third-party specialist engaged by management.

    - We assessed the qualifications and competence of management and the third-party specialist; and
    - We evaluated the methodologies used to determine the discounted present value of future cash flows.

- We tested the reasonableness of management's revenue and gross margin projections by comparing management's prior forecasts to historical results for the Company.

- We utilized an internal valuation specialist to assist in:

    - Testing the reasonableness of revenue growth rates and gross margins by comparing them to historical results for similar companies; and
    - Developing independent estimates of the discount rates based on publicly available market data and comparing the resulting reporting unit fair values to management's estimates.

Business Combinations (see Note 3 to the financial statements)

Description of the matter

As described in Note 3 to the consolidated financial statements, the Company acquired Herve Edibles Limited and BRN Company Inc. in March 2022 and April 2022, respectively. These acquisitions were accounted for as business combinations. We identified the valuation of the acquisition date fair value of the intangible assets acquired as a key audit matter.

Why the matter is a key audit matter

The principal consideration for our determination that the evaluation of the acquisition date fair values of the intangible assets acquired was a critical audit matter is the high degree of subjective auditor judgment associated with evaluating management's determination of the fair values of the acquired intangible assets, which is primarily due to the complexity of the valuation models used and the sensitivity of the underlying significant assumptions. The key assumptions used within the valuation models included prospective financial information, including future revenue growth and applied discount rates. The calculated fair values are sensitive to changes in these key assumptions.

How the matter was addressed in the audit

Our audit procedures related to the valuation of acquisition date fair values of intangible assets acquired included the following, among others:

- We obtained an understanding of the relevant controls related to the acquisition-date valuation process, including controls over the development of the key assumptions such as the revenue growth and the applied discount rate.

- We obtained the purchase price allocation analyses from management and the third-party specialist engaged by management.
    - We assessed the qualifications and competence of management and the third-party specialist; and
    - We evaluated the methodologies used to determine the fair values of the intangible assets.

- We tested the assumptions used within the discounted cash flow models to estimate the fair values of the intangible assets, which included key assumptions such as the future revenue growth and the applied discount rate.

- We assessed the reasonableness of management's forecast by inquiring with management to understand how the forecast was developed and comparing the projections to historical results and external sources including industry trends and peer companies' historical data.

- We involved an internal valuation specialist who assisted in the evaluation and testing performed of the reasonableness of significant assumptions to the models, including the applied discount rate.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions

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

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

We obtained Management 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.

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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- Communicate with 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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor's 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 Giancarlo Garipoli.

Marcum LLP

Marcum LLP

New York, NY
May 8, 2023

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Simply Better Brands Corp.

Consolidated Statements of Financial Position
(Expressed in United States Dollars)

As at	Note(s)	December 31, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash		2,343,178	2,234,993
Accounts receivable	4	4,616,267	399,665
Other receivable		134,500	1,150
Prepaid expenses	6	4,488,817	2,050,835
Inventory	7	3,554,563	1,981,187
		15,137,325	**6,667,830**
Non-current assets			
Restricted cash		325,000	325,000
Deposits		3,783	12,299
Equipment		11,875	1,343
Right-of-use asset		-	28,861
Intangible assets	8	6,321,344	9,532,764
Goodwill	9	14,830,827	5,237,161
		21,492,829	**15,137,428**
TOTAL ASSETS		**36,630,154**	**21,805,258**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	6,122,385	2,083,359
Deferred revenue		37,014	82,763
Current portion of derivative liability	16	175,122	-
Current portion of lease obligation		-	33,756
Current portion of loan payable	11	14,634,180	11,558,676
Current portion of promissory note	12	1,793,119	4,752,059
Current portion of convertible notes	13	1,711,223	-
		24,473,043	**18,510,613**
Non-current liabilities			
Promissory note	12	627,197	1,182,484
Convertible notes	13	389,080	3,135,054
Deferred income tax liability	27	-	1,032,000
		1,016,277	**5,349,538**
TOTAL LIABILITIES		**25,489,320**	**23,860,151**

Simply Better Brands Corp.

Consolidated Statements of Financial Position (continued)

(Expressed in United States Dollars)

As at	Note(s)	December 31, 2022 $	December 31, 2021 $
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	17	45,411,501	23,121,479
Share subscription received	17	235,357	-
Additional paid-in capital	17	3,068,551	85,495
Reserves	17	3,436,447	3,413,209
Accumulated deficit		(39,570,086)	(27,269,441)
Accumulated other comprehensive income (loss)		11,749	(1,170)
Non-controlling interest	17	(1,452,685)	(1,404,465)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**11,140,834**	**(2,054,893)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**36,630,154**	**21,805,258**
Corporate information and continuance of operations	1		
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These consolidated financial statements were approved for issue on May 8, 2023 by the Board of Directors and signed on its behalf by:

/s/ Michael Galloro Director **/s/ Paul Norman Director**

Simply Better Brands Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2022 $	December 31, 2021 $
Revenue		**65,413,832**	**15,626,433**
Cost of goods sold		**(20,852,896)**	**(5,916,822)**
Gross profit		**44,560,936**	**9,709,611**
Expenses			
Amortization	8	4,660,809	604,504
Consulting fees		127,595	-
Customer service support		2,381,241	187,410
Depreciation		74,029	50,177
General and administrative expenses		1,625,814	1,065,289
Impairment of accounts receivable	4	136,754	79,791
Marketing expenses		34,317,567	7,320,489
Professional fees		1,991,708	980,876
Regulatory and filing fees		203,769	389,441
Salaries and wages		4,366,009	3,193,587
Share-based payments	17	4,301,869	5,615,160
Travel and entertainment		119,688	38,910
Total expenses		**(54,306,852)**	**(19,525,634)**
Loss before other income (expenses)		**(9,745,916)**	**(9,816,023)**
Other income (expenses)			
Acquisition-related costs	3	(476,446)	(420,754)
Fair value adjustment of derivative liability	16	116,062	1,219,178
Finance income	5	185	19,999
Finance costs	18	(1,398,344)	(2,340,878)
Foreign exchange loss		(129,007)	(4,576)
Gain on remeasurement of loan payable		-	3,994
Gain on remeasurement of provision of earn-out payments	15	-	901,908
Gain on settlement of the milestone shares	3, 17	428,656	-
Grant and other assistance	19	336,008	152,795
Impairment of intangible assets	8	(1,634,011)	(2,524,600)
Impairment of inventories	7	(150,000)	-
Impairment of plant and equipment		(190,278)	-
Write-off of advance payments		(537,774)	-
Others		-	(59,655)
Total other income (expenses)		**(3,634,949)**	**(3,052,589)**
Loss before income taxes		**(13,380,865)**	**(12,868,612)**
Income tax recovery			
Income tax recovery	27	1,032,000	44,000
Net loss		**(12,348,865)**	**(12,824,612)**

(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2022 $	December 31, 2021 $
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations		12,919	(1,170)
Loss and comprehensive loss		**(12,335,946)**	**(12,825,782)**
Loss and comprehensive loss attributable to:			
Equity holders of the parent		(12,287,726)	(10,781,568)
Non-controlling interests		(48,220)	(2,044,214)
Total		**(12,335,946)**	**(12,825,782)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.36)**	**(0.57)**
Weighted average number of common shares outstanding - basic and diluted		**34,504,543**	**22,626,969**

Simply Better Brands Corp.
Consolidated Statements of Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Note(s)	Share #	capital $	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 cash - private placement	17	10,646,928	2,430,485	-	-	-	-	-	**2,430,485**	-	**2,430,485**
Shares issued for restricted share units	17	309,000	1,402,250	-	-	(1,402,250)	-	-	**-**	-	**-**
Share issue costs	17	-	(151,628)	-	-	-	-	-	**(151,628)**	-	**(151,628)**
Share subscribed		-	-	235,357	-	-	-	-	**235,357**	-	**235,357**
Shares issued for acquisition	3	4,499,479	16,580,836	-	-	-	-	-	**16,580,836**	-	**16,580,836**
Fair value of milestone shares issued	3	213,219	71,215	-	-	-	-	-	**71,215**	-	**71,215**
Shares issued for services	17	329,443	425,000	-	-	-	-	-	**425,000**	-	**425,000**
Shares issued for conversion of convertible notes	13	283,527	1,025,162	-	-	-	-	-	**1,025,162**	-	**1,025,162**
Shares issued for promissory notes	12	140,351	506,702	-	-	-	-	-	**506,702**	-	**506,702**
Warrants issued for services	17	-	-	-	-	106,675	-	-	**106,675**	-	**106,675**
Reclassification of grant-date fair value on expired stock options	17	-	-	-	2,983,056	(2,983,056)	-	-	**-**	-	**-**
Share-based payments		-	-	-	-	4,301,869	-	-	**4,301,869**	-	**4,301,869**
Loss and comprehensive loss		-	-	-	-	-	(12,300,645)	12,919	**(12,287,726)**	(48,220)	**(12,335,946)**
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**

Simply Better Brands Corp.

Consolidated Statements of Shareholders' Equity (Deficiency) (continued)

(Expressed in United States Dollars)

	Note(s)	Share #	capital $	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, 2020		**21,016,875**	**1,911,188**	-	-	**145,022**	**(16,489,043)**	-	**(14,432,833)**	**720,206**	**(13,712,627)**
Shares issued for acquisition	17	1,674,975	7,612,230	-	-	-	-	-	**7,612,230**	-	**7,612,230**
Shares issued for cash - exercise of warrants	17	22,500	23,636	-	-	-	-	-	**23,636**	-	**23,636**
Shares issued for cash - exercise of stock options	17	33,750	35,559	-	-	-	-	-	**35,559**	-	**35,559**
Shares issued for conversion of convertible notes	13	457,521	2,203,035	-	-	-	-	-	**2,203,035**	-	**2,203,035**
Shares issued for conversion of convertible preferred shares	14	2,327,833	8,773,067	-	-	-	-	-	**8,773,067**	-	**8,773,067**
Shares issued for services	17	47,753	225,000	-	-	-	-	-	**225,000**	-	**225,000**
Reclassification of grant-date fair value on exercise of warrants	17	-	52,933	-	-	(52,933)	-	-	**-**	-	**-**
Reclassification of grant-date fair value on issue of shares for the restricted shares units	17	485,225	2,201,951	-	-	(2,201,951)	-	-	**-**	-	**-**
Reclassification of grant-date fair value on exercise of stock options	17	-	82,880	-	-	(82,880)	-	-	**-**	-	**-**
Reclassification of grant-date fair value on expired stock options	17	-	-	-	9,209	(9,209)	-	-	**-**	-	**-**
Share-based payments	17	-	-	-	-	5,615,160	-	-	**5,615,160**	-	**5,615,160**
Distribution to shareholders	17	-	-	-	-	-	-	-	**-**	(4,171)	**(4,171)**
Excess contribution from non-controlling interest in connection with the No B.S. Life, LLC		-	-	-	76,286	-	-	-	**76,286**	(76,286)	**-**
Loss and comprehensive loss		-	-	-	-	-	(10,780,398)	(1,170)	**(10,781,568)**	(2,044,214)	**(12,825,782)**
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)**

Simply Better Brands Corp.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

		For the years ended	
		December 31, 2022	December 31, 2021
	Note(s)	$	$
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(12,348,865)	(12,824,612)
Accretion of interest of convertible notes	13	217,289	188,097
Accretion of interest of provision of earn-out payments	15	-	319,393
Accretion of interest of lease obligation		1,594	-
Accretion of interest of loan payable	11	811,564	385,379
Accretion of interest of preferred shares	14	-	752,823
Accretion of interest of promissory notes	12	320,607	563,223
Acquisition-related costs	3	238,584	-
Acquisition costs paid by common shares	3, 17	237,862	407,501
Amortization	8	4,660,809	604,504
Non-cash debt issuance costs		41,035	-
Deferred income tax recovery		(1,032,000)	(44,000)
Depreciation		74,029	50,177
Fair value adjustment of derivative liability		(116,062)	(1,219,178)
Finance income	5	-	(19,999)
Impairment of intangible assets	8	1,634,011	2,524,600
Impairment of inventories	7	150,000	-
Impairment of plant and equipment		190,278	-
Impairment of receivable	4	136,754	79,791
Interest expenses of loan payable		-	9,076
Gain on debt forgiveness	19	-	(152,795)
Gain on modification of loan payable		-	(3,994)
Gain on remeasurement of the provision of earn-out payments	15	-	(901,908)
Gain on settlement of the milestone shares	3, 17	(428,656)	-
Share-based payments	17	4,301,869	5,615,160
Consulting fees to be paid by shares		250,880	-
Shares issued for services	17	425,000	225,000
Warrants issued for services	17	106,675	-
Write-off of advance payments	6	537,774	-
Effects of currency exchange rate changes		(20,034)	-
Net changes in non-cash working capital items:			
Accounts receivable		(4,288,044)	(24,544)
Other receivable		(12,761)	71,479
Prepaid expenses		(2,814,333)	(1,636,842)
Deposits		8,516	-
Inventory		(1,014,531)	(431,981)
Accounts payable and accrued liabilities		3,015,741	445,581
Deferred revenue		(49,654)	37,918
Cash flow used in operating activities		**(4,764,069)**	**(4,980,151)**

(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2022 $	December 31, 2021 $
INVESTING ACTIVITIES			
Cash assumed (paid) on acquisition, less transaction costs		1,811,839	(712,998)
Intangible assets		(323,400)	-
Proceeds of redemption of investments		1,863,691	-
Purchase of property, plant and equipment		(6,413)	-
Cash flow provided by (used in) investing activities		**3,345,717**	**(712,998)**
FINANCING ACTIVITIES			
Debt issuance costs		-	(63,668)
Distribution to shareholders		-	(4,171)
Lease payments		(35,350)	(50,855)
Proceeds on exercise of options		-	35,559
Proceeds on exercise of warrants		-	23,636
Proceeds on issuance of common shares, net of cash share issue costs		2,278,857	-
Proceeds on issuance of convertible notes, net of cash issuance costs	13	621,305	-
Proceeds on issuance of promissory notes, net of financing costs	12	1,200,000	1,610,000
Proceeds on loan payable, net of transaction costs	11	8,955,843	1,441,243
Repayment of convertible notes	13	(553,666)	-
Repayment of loan payable	11	(6,686,379)	-
Repayment of promissory notes	12	(4,528,132)	(3,371,539)
Shares subscribed		235,357	-
Cash flow provided by (used in) financing activities		**1,487,835**	**(379,795)**
Effects of exchange rate changes on cash		38,702	(538)
Increase (decrease) in cash		**108,185**	**(6,073,482)**
Opening cash		**2,234,993**	**8,308,475**
Closing cash		**2,343,178**	**2,234,993**
Supplemental cash flow information	20		

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.

Business combination

- **No B.S. Life, LLC ("No B.S. Skincare")**
  On February 18, 2021, the Company completed the acquisition of No B.S. Skincare. See Note 3 for details.

- **Nirvana Group, LLC ("Nirvana")**
  On April 28, 2021, the Company completed the acquisition of Nirvana. See Note 3 for details.

- **TRU Brands Inc. ("Tru Brands")**
  On August 17, 2021, the Company completed the acquisition of Tru Brands. See Note 3 for details.

- **Crisp Management Group Inc. ("CMG")**
  On September 17, 2021, the Company completed the acquisition of CMG. See Note 3 for details.

- **Acquisition of Hervé Edibles Limited ("Hervé")**
  On March 18, 2022, the Company completed an acquisition of Hervé Edibles Limited ("Hervé"). See Note 3 for details.

- ***Acquisition of The BRN Group Inc. ("BRN")***
  On April 1, 2022, the Company completed an acquisition of The BRN Group Inc. ("BRN"). See Note 3 for details.

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.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Going Concern (continued)

At December 31, 2022, the Company had an accumulated deficit of $39,570,086 (December 31, 2021 – $27,269,441) and a working capital deficit of $9,335,718 (December 31, 2021 – $11,842,783). The Company incurred a net loss of $12,348,865 during the year ended December 31, 2022 (December 31, 2021 – $12,824,612). 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

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, 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.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated financial statements of the Company for the year ended December 31, 2022 were approved by the Board of Directors on May 8, 2023.

Statement of compliance to International Financial Reporting Standards

These consolidated 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").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2022.

(Expressed in United States Dollars)

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

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

			Percentage owned		
	Note(s)	Country of incorporation	December 31, 2022	December 31, 2021	Reporting date
Purekana, LLC ("PureKana")		USA	50.10%	50.10%	December 31
No B.S. Skincare (“No B.S. Skincare”)	3	USA	82.54%	82.54%	December 31
Nirvana Group LLC (“Nirvana”)	3	USA	100.00%	100.00%	December 31
Tru Brands US Corp ("Tru Brands")	3	USA	100.00%	100.00%	December 31
Tru Brands Snack Company ("TBS")	3	Canada	100.00%	100.00%	December 31
Crisp Management Group Inc. ("CMG")	3	USA	60%	60%	December 31
Herve Edibles Limited (“Hervé”)	3	Canada	100.00%	-	December 31
Delysees Luxury Desserts (“Delysees”)	3	USA	100.00%	-	December 31
The French Dessert Company (“TFDC”)	3	USA	100.00%	-	December 31
The BRN Group Inc. (“BRN”)	3	USA	100.00%	-	December 31
BRN Brands	3	USA	100.00%	-	December 31
Redemption Group LLC (“RG”)	3	USA	100.00%	-	December 31

- **Subsidiaries**

  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

- **Acquisitions and disposals**

  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the carrying value of net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

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

Critical accounting judgements, estimates and assumptions (continued)

- **Coronavirus (COVID-19) pandemic**
  Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

- **Determination of functional currency**
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currencies of the Company and its subsidiaries are United States dollar ("$", "US$" or "US dollar") as this is the currency of the primary economic environment in which the Company operates.

- **Share-based payment transactions**
  The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

- **Revenue from contracts with customers involving sale of goods**
  When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

- **Determination of variable consideration**
  Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Company where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- **Provision for impairment of inventories**
  The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

Critical accounting judgements, estimates and assumptions (continued)

- **Impairment**
  Goodwill and indefinite life intangible asset impairment testing, which requires management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate estimates regarding future events, specifically future cash flows, growth rates and discount rates (Note 8). The Company uses judgment in determining the grouping of assets to identify its cash-generating units ("CGUs") for purposes of testing for impairment. Management has determined that the Company's operations represent one CGU. In testing for impairment, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the business combination, which involves judgment.

- **Business acquisition**
  The Company uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. The Company may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Assumptions and estimates are used to determine cash flow projections, including the period of future benefit, future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

- **Allowance for impairment of receivables**
  The Company make judgements as to its ability to collect outstanding receivables and where necessary make allowances for impairment. Such impairments are made based upon a specific review of all significant outstanding receivables. In determining the allowance, the Company analyses its historical collection experience and current economic trends. If the historical data does not reflect the future ability to collect outstanding receivables, additional allowances for impairment of receivables may be needed and the future results of operations could be materially affected.

- **Income tax**
  The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

- **Recovery of deferred tax assets**
  Deferred tax assets are recognized for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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

Critical accounting judgements, estimates and assumptions (continued)

- **Lease term**
  The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

- **Incremental borrowing rate**
  Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

- **Grant and other assistance**
  Judgement is exercised in determining if there is reasonable assurance that the Company will meet the terms for forgiveness of the loan.

Significant accounting policies

- **Cash and cash equivalents**
  Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- **Trade and other receivables**
  Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

  The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

  Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

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

Significant accounting policies (continued)

- **Inventories**

  Inventories are measured at the lower of cost and net realizable value. The cost of finished goods, raw materials, and supplies is based on the weighted-average cost method. The cost of finished goods and work in progress includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition, as well as production overheads based on normal operating capacity.

  Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense.

- **Derivative financial instruments**

  Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

- **Right-of-use assets**

  A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

  Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

  The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

- **Business combinations**

  The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

  If the Company acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognized in profit or loss or other comprehensive income, as appropriate.

  Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognized in profit or loss.

  Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

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

Significant accounting policies (continued)

- **Intangible assets**

  Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and any impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

  Goodwill

  Goodwill arises on the acquisition of a business. Goodwill is not amortized. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

  Customer contracts

  Customer contracts acquired in a business combination are amortized on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

  Patents and trademarks

  Significant costs associated with patents and trademarks are deferred and amortized on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

- **Impairment of non-financial assets**

  Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

  Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

- **Borrowings**

  Loans and borrowings are initially recognized at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

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

Significant accounting policies (continued)

- **Lease liabilities**

  A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

  Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

- **Earnings (loss) per share**

  Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

- **Share based payments**

  The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payments reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share based compensation is transferred to deficit.

- **Financial instruments**

  Financial assets

  - Classification and measurement

    The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Significant accounting policies (continued)

Financial assets (continued)

- Classification and measurement (continued)

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

- Impairment of financial assets at amortized cost

  The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

  Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

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

Significant accounting policies (continued)

- **Financial instruments (continued)**

Financial assets (continued)

- Derecognition of financial assets

  Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

- Classification and measurement

  The Company classifies its financial liabilities into one of two categories as follows:

  Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

  Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes financial liability when its contractual obligations are discharged, cancelled or expire.

- Derecognition of financial liabilities

  The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Refer to Note 26 for further disclosures.

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

Significant accounting policies (continued)

- **Compound instruments**

  The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

  At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

  The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

- **Foreign currency translation**

  Foreign currency transactions

  Foreign currency transactions are translated into US dollar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

  Foreign operations

  The assets and liabilities of foreign operations are translated into US dollar using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollar using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognized in other comprehensive income through the foreign currency reserve in equity.

  The foreign currency reserve is recognized in profit or loss when the foreign operation or net investment is disposed of.

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

Significant accounting policies (continued)

- **Revenue recognition**

  The Company recognizes revenue as follows:

  Revenue from contracts with customers

  Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

  Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognized as a refund liability.

  Sale of goods

  Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

- **Taxation**

  Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

  Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

  Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

  A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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

Significant accounting policies (continued)

- **Government Assistance**
  The Company received government assistance in the form of forgivable loans from the Paycheck Protection Program (PPP) administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act. Pursuant to IAS 20 Accounting for Government Grants and Disclosure, a forgivable loan from government is treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. If the benefit of a government loan at below market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate is measured as the difference between the initial carrying value of the loan and the proceeds received. The difference will be accredited to the loan liability over the term of the loan and offset to other income on the statement of income (loss) and comprehensive income (loss).

New Accounting Standards and Interpretations not yet mandatory or early adopted
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2023. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2023 will have a significant impact on the Company's results of operations or financial position.

3. BUSINESS COMBINATION

Acquisition of No B.S. Life, LLC ("No B.S. Skincare")
On February 18, 2021 (the "No BS Closing Date"), the Company completed the acquisition of No B.S. Skincare with DTC Brands LLC ("DTC").

Pursuant to the Membership Interest Purchase Agreement (the "No BS Agreement"), the Company and PureKana, acquired all of the issued and outstanding membership units of No B.S. Skincare, with 65% of the purchase price to be paid by the Company and 35% to be paid by PureKana, with resulting proportional ownership interests (the "Acquisition of No B.S."), for the total consideration paid of $6,706,066.

The Acquisition of No B.S. is accounted for in accordance with guidance provided IFRS 3, "Business Combinations".

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of No B.S. Life, LLC ("No B.S. Skincare") (continued)

The total consideration of $6,706,066 have been allocated as follows:

	$
Cash and cash equivalents	94,044
Accounts receivable, credit card processor, net	90,939
Other receivable	48,379
Prepaid expenses	20,695
Inventory	644,237
Security deposits	2,249
Equipment	2,043
Trademark	3,855,700
Customer Base	981,000
Non-Competes	4,700
Accounts payable and accrued liabilities	(219,888)
Government loan	(152,795)
Fair value of net assets acquired	**5,371,303**
Goodwill	**1,334,763**
	6,706,066

	$
Consideration comprised of:	
Cash*	2,500,000
Promissory note** (Note 12)	492,407
Convertible notes (Note 13)	3,713,659
	6,706,066
Consideration paid by:	
- The Company	5,534,852
- Non-controlling interest	1,171,214
	6,706,066

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* $1,500,000 was made during the year ended December 31, 2020.

** The promissory note including interest was repaid during the year ended December 31, 2021 (Note 11).

Goodwill of $1,334,763 is primarily the workforce and marketing know-how of key personnel. Goodwill will not be deductible for tax purposes.

No B.S. Skincare contributed revenue of $1,274,222 and net loss of $569,320 to the Company from February 18, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue and net loss for the year ended December 31, 2021 would have been increased by $222,289 and $67,858, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition occurred on January 1, 2021.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of Nirvana Group LLC ("Nirvana")

On February 17, 2021 (the "NG Closing Date"), the Company entered into a definitive agreement ("the NG Agreement") to acquire Nirvana (the "Acquisition of NG"), a Florida-based company specializing in the development, manufacturing, and distribution of all-natural pet wellness products and which includes the BudaPets brand. Under the terms of the NG Agreement, the Company acquired all of the issued and outstanding membership units of Nirvana (the "Acquisition of NG"), for the total consideration paid of $2,720,268.

	$
Consideration comprised of:	
Convertible notes (Note 13)	1,500,000
Fair value of earn-out payments (Note 15)	1,220,268
	2,720,268

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

The total consideration of $2,720,268 have been allocated to trademarks which will be amortized over the useful life of 3 years.

Acquisition of TRU Brands Inc. ("Tru Brands")

On March 3, 2021, the Company entered into a binding term sheet to acquire 100% of the issued and outstanding shares of Tru Brands. Tru Brands is a health and wellness brand specializing in nutritious snacks for women.

On August 17, 2021 (the "Tru Brands Closing Date"), the Company completed the acquisition. Under the terms of the acquisition, the Company issued 1,471,945 common shares with fair value of $6,704,729 (the "TB Exchange Consideration") to acquire 24,586,477 shares of common stock with $0.001 par value per share of Tru Brands and 25,000,000 shares of Series A preferred stock with $0.001 par value per share of Tru Brands and satisfied certain outstanding indebtedness of Tru Brands.

In connection with the acquisition, the Company issued 89,462 common shares with fair value of $407,500 as finder's fee (the "TB Finders' Shares").

The TB Exchange Consideration and TB Finders' Shares (collectively the "TB Locked-Up Securities") are subject to a 24-month lock-up agreement (the "Lock-Up) and will released as follows:

- 25% of the Locked-Up Securities shall be released from the Lock-Up on February 17, 2022 which is the six-month anniversary of the Tru Brands Closing Date;
- 25% of the Locked-Up Securities shall be released from the Lock-Up on August 17, 2022 which is the twelve-month anniversary of the Tru Brands Closing Date;
- 25% of the Locked-Up Securities shall be released from the Lock-Up on February 17, 2023 which is the eighteen-month anniversary of the Tru Brands Closing Date; and
- 25% of the Locked-Up Securities shall be released from the Lock-Up on August 17, 2023 which is the twenty-four-month anniversary of the Tru Brands Closing Date.

In addition, the Company assumed the $387,771 loan payable owned by Tru Brands to PureKana.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of TRU Brands Inc. ("Tru Brands") (continued)

The Acquisition of Tru Brands is accounted for in accordance with guidance provided IFRS 3, "Business Combinations".

The total consideration of $7,092,500 have been allocated as follows:

	$
Cash and cash equivalents	192,958
Accounts receivable, credit card processor, net	120,605
Prepaid expenses	20,350
Inventory	71,564
Trademark	2,698,200
Customer Base	1,902,000
Accounts payable and accrued liabilities	(739,575)
Deferred income tax liability	(1,076,000)
Fair value of net assets acquired	**3,190,102**
Goodwill	**3,902,398**
	7,092,500

	$
Consideration comprised of:	
Indebtedness owed to Purekana, LLC assumed by the Company	387,771
Fair value of common shares issued	6,704,729
	7,092,500

The fair value of the TB Finders' Shares ($407,501) and the associated acquisition costs of $13,253 was charged to the statement of income (loss) and comprehensive income (loss) during the year ended December 31, 2021 as acquisition-related costs.

Goodwill of $3,902,398 is primarily the sales force and the sales know-how of key personnel.

TruBrands contributed revenue of $521,624 and net loss of $221,036 to the Company from August 17, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue and net loss for the year ended December 31, 2021 would have been increased by $971,412 and $1,300,164, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition occurred on January 1, 2021.

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of Crisp Management Group Inc. ("CMG")

On August 20, 2021, the Company entered into a non-binding term sheet to acquire 60% of CMG to focus on the sale and distribution of CBD and Hemp products through Breakaway Music Festivals in North America as well as through E-commerce. The acquisition was completed on September 17, 2021 (the "CMG Closing Date").

On the CMG Closing Date, the Company issued 113,568 common shares with fair value of $500,000 (the "CMG Share Consideration") to acquire 60% of the outstanding shares of CMG.

The CMG Share Consideration is subject to escrow and will be released with 15% releasable every four months in the first twenty months after the CMG Closing Date, and the remaining 25% releasable twenty-four months from the CMG Closing Date.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations" and is accounted for in accordance with guidance provided IFRS 2, "Share-Based Payment".

The total consideration of $500,000 have been allocated to trademarks.

Acquisition of Hervé Edibles Limited ("Hervé")

On March 18, 2022, the Company completed an acquisition of Hervé and 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. The fair value of the shares issued was calculated on the basis of the Volume-Weighted-Average-Price ("VWAP") of the Company's shares on the TSXV determined based on the 15 trading days immediately preceding the closing date.

In addition, additional Hervé Consideration Shares with the value of CA$1,000,000 may be issued upon the Company achieving specific sales revenue targets of Hervé products (the "Hervé Milestone Shares"). The Company considered the Hervé Milestone Shares as "contingent consideration" at the date of acquisition and accounts this contingent consideration to IFRS 3, "Business Combinations". Contingent consideration typically represents the acquirer's obligation to transfer additional assets or equity interests to the former owners of the acquiree if specified future events occur or conditions are met. IFRS 3 requires that contingent consideration be recognized at the acquisition-date fair value as part of the consideration transferred in the transaction. IFRS 3 uses the fair value definition according to IFRS 13, "Fair Value Measurements", which defines fair value as 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. The Company valued the contingent consideration based on an analysis using a cash flow model to determine the expected contingent consideration payment as $499,871 at the date of acquisition and was recorded as provision. The fair value was determined considering the expected earnout payments, discounted to present value using a risk-adjusted discount rate of 20%. The risk-adjusted discount rate was calculated based on Herve's weighted average cost of capital. The key unobservable inputs used related to the risk-adjusted discount rate, forecasted sales growth and EBITDA, gross margin as well as projected selling, general and administrative expenses.

The Hervé Consideration Shares 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.

In connection with the acquisition, 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. The fair value of the shares issued was calculated on the basis of VWAP of the Company's shares on the TSXV determined based on the 15 trading days immediately preceding the closing date. The fair value of the shares issued was recognized as acquisition-related costs in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2022.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of Hervé Edibles Limited ("Hervé") (continued)

During the year ended December 31, 2022, the Company entered into a settlement with the former owner of Hervé to settle the Hervé Milestone Shares by issuing 213,219 common shares of the Company with a fair value of $71,215. As a result of the settlement, the Company recognized a gain on settlement of the milestone shares of $428,656 in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2022.

The total consideration of $6,842,845 have been initially allocated as follows:

	$
Cash	530,631
Accounts receivable	58,478
Other receivable	42,578
Prepaid expenses	174,873
Inventory	300,690
Equipment	227,801
Trademark	1,640,000
Accounts payable and accrued liabilities	(316,345)
Fair value of net assets acquired	**2,658,706**
Goodwill	**4,184,139**
	6,842,845

	$
Fair value of common shares issued	6,342,974
Fair value of the milestone shares to be issued	499,871
	6,842,845

The fair values of trademark acquired in a business combination are determined using a relief from royalty method using a discounted cash flow model. The most significant assumptions used in the Company's relief from royalty models relating to trademarks are relating to the royalty rate and revenue growth rates.

Goodwill of $4,184,139 is primarily the product and marketing know-how of key personnel.

Herve contributed revenue of $616,731 and net loss of $856,628 to the Company from March 18, 2022 to December 31, 2022. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue and net loss for the year ended December 31, 2022 would have been increased by $48,983 and $405,236, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition occurred on January 1, 2022.

Acquisition of The BRN Group Inc. ("BRN")

As discussed in Note 1, on April 1, 2022, the Company completed an acquisition of BRN and acquired of all of the issued and outstanding common shares of BRN in exchange for the BRN Consideration Shares for a total purchase price of $10 million.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

Acquisition of The BRN Group Inc. ("BRN") (continued)

$1.5 million of the BRN Consideration Shares have been placed in escrow, subject to release upon the satisfaction of certain conditions. 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 total consideration of $10,000,000 have been initially allocated as follows:

	$
Cash and cash equivalents	859,792
Accounts receivable	13,895
Other receivable	79,586
Prepaid expenses	2,387
Investments	1,863,691
Inventory	425,369
Loan receivable	660,000
Equipment	20,096
Trademark	1,120,000
Accounts payable and accrued liabilities	(450,438)
Deferred revenue	(3,905)
Fair value of net assets acquired	**4,590,473**
Goodwill	**5,409,527**
	10,000,000

	$
Fair value of common shares issued	10,000,000
	10,000,000

The loan receivable of $660,000 was due from the Company prior to the acquisition. Subsequent to the acquisition, this amount was reclassified as an inter-company loan and eliminated during the consolidation.

Subsequent to the consolidation, the Company sold entire investments with proceeds of $1,863,691.

The fair values of trademark acquired in a business combination are determined using a relief from royalty method using a discounted cash flow model. The most significant assumptions used in the Company's relief from royalty models relating to trademarks are relating to the royalty rate and revenue growth rates.

Goodwill of $5,409,527 is primarily the sales force and sales and marketing know-how of key personnel.

BRN contributed revenue of $2,199,486 and net loss of $162,144 to the Company from April 1, 2022 to December 31, 2022. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue and net loss for the year ended December 31, 2022 would have been increased by $504,978 and $1,092,457, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition occurred on January 1, 2022.

In connection with the acquisition of Hervé and BRN, the Company incurred legal fees of $476,446 during the year ended December 31, 2022. This amount was recognized as acquisition-related costs in the consolidated statement of loss and comprehensive loss during the year ended December 31, 2022.

(Expressed in United States Dollars)

4. ACCOUNTS RECEIVABLE

Following is the aging of the Company's account receivable as of December 31, 2022 and December 31, 2021:

	Total	**Neither past due nor impaired**	**< 90 days**	**91 - 181 days**	**>180 days**
	$	**$**	**$**	**$**	**$**
December 31, 2022	4,616,267	3,990,603	552,522	73,142	-
December 31, 2021	399,665	84,140	121,335	194,190	-

As at December 31, 2022 and 2021, the majority of the accounts receivable was comprised of amounts from credit card processors for sales made to online customers and invoices for sales made to retail offline customers. The payments from credit card processors will be remitted to the Company within two business days. The balances as of December 31, 2022 and 2021 were remitted to the Company subsequent to December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022 and 2021, the Company recognized an impairment of receivable of $136,754 and $79,791, respectively.

5. LOAN RECEIVABLE

On October 13, 2020, PureKana entered into a loan agreement (the “TB Promissory Note”) with an amount of $350,000 with Tru Brands. The Promissory Note matured on June 30, 2021.

The TB Promissory Notes bear 12% interest per annum compounded annually (the “PN Interest Rate”) and an origination fee of $10,000 which is due on the maturity date. The interest payment due on the maturity date is the greater of:

i) $10,000 or
ii) the amount determined by the PN Interest Rate.

The TB Promissory Note is secured with all of the assets of Tru Brands.

During the year ended December 31, 2021, the Company recognized interest income of $19,999 related to the TB Promissory Note.

As discussed in Note 3, in connection with the acquisition of Tru Brands, the Company assumed the $387,771 loan payable owned by Tru Brands to PureKana.

6. PREPAID EXPENSES

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

During the year ended December 31, 2022, the Company recognized a write-off of advance payments made to certain service providers and vendors with an amount of $537,774. This amount was recognized in the statement of loss and comprehensive loss during the year ended December 31, 2022 (December 31, 2021 – $nil).

(Expressed in United States Dollars)

7. 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 year ended December 31, 2022, the Company recognized $150,000 impairment of inventories in the statement of loss and comprehensive loss for the obsolete inventories (December 31, 2021 – $nil)

8. INTANGBILE ASSETS

	Customer Base $	Non-Competes $	Trademark $	Website development costs $	Total $
COST					
Addition	2,883,000	4,700	9,774,168	-	**12,661,868**
Impairment	(981,000)	(4,700)	(1,538,900)	-	**(2,524,600)**
As of December 31, 2021	**1,902,000**	**-**	**8,235,268**	**-**	**10,137,268**
ACCUMULATED AMORTIZATION					
Amortization	-	-	(604,504)	-	**(604,504)**
As of December 31, 2021	**-**	**-**	**(604,504)**	**-**	**(604,504)**
Net book value as of December 31, 2021	**1,902,000**	**-**	**7,630,764**	**-**	**9,532,764**
COST					
As of December 31, 2021	1,902,000	-	8,235,268	-	**10,137,268**
Addition	-	-	2,760,000	323,400	**3,083,400**
Impairment	-	-	(2,614,410)	-	**(2,614,410)**
As of December 31, 2022	**1,902,000**	**-**	**8,380,858**	**323,400**	**10,606,258**
ACCUMULATED AMORTIZATION					
As of December 31, 2021	-	-	(604,504)	-	**(604,504)**
Amortization	(633,996)	-	(3,986,388)	(40,425)	**(4,660,809)**
Impairment	-	-	980,399	-	**980,399**
As of December 31, 2022	**(633,996)**	**-**	**(3,610,493)**	**(40,425)**	**(4,284,914)**
Net book value as of December 31, 2022	**1,268,004**	**-**	**4,770,365**	**282,975**	**6,321,344**

During the year ended December 31, 2022

- The Company recognized amortization expenses of $4,660,809.
- The Company impaired the trademark acquired through the acquisition of Herve with an amount of $425,003.
- The Company impaired the trademark acquired through the acquisition of Nirvana with an amount of $1,209,008.

(Expressed in United States Dollars)

8. INTANGBILE ASSETS (CONTINUED)

<u>During the year ended December 31, 2021</u>

- The Company recognized amortization expenses of $604,504;
- The Company impaired the trademarks acquired through the acquisition of CMG with an amount of $500,000; and
- The Company impaired the trademark, customer base and non-competes acquired through the acquisition of No BS with an amount of $1,452,900, $567,000 and $4,700, respectively.

9. GOODWILL

	December 31, 2022 $	December 31, 2021 $
Opening	**5,237,161**	**-**
Additions through a business acquisition (Note 3)		
- No B.S. Skincare	-	1,334,763
- Tru Brands	-	3,902,398
- Hervé	4,184,139	-
- BRN	5,409,527	-
Closing	**14,830,827**	**5,237,161**

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Impairment is determined by assessing the recoverable amount of the Company's CGUs to which goodwill is allocated and comparing it to the CGUs' carrying amount. For the purpose of impairment testing, this represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The Company performed its annual impairment testing of the goodwill as of December 31, 2022 and 2021. The recoverable amount of the Company's CGU was determined using the value-in-use basis and was determined to be higher than the carrying value; as a result, no impairment expense was recorded in the year ended December 31, 2022 and 2021.

The value-in-use of the CGU was estimated using discounted cash flow forecasts with an after-tax discount rate of 15.5% (December 31, 2021 – 22.54%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the CGU, based on publicly available information.

Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU.

Cash flows were projected based on past experience, actual operating results and the five-year business plan including a terminal growth rate of 3% (December 31, 2021 – 2.5%).

The assumptions used by the Company in the cash flow forecast discounting model are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The model is particularly sensitive to the future expected cash flows in the upcoming periods, should these not be realized, an impairment loss may be needed in future periods.

As of December 31, 2022 and 2021, the Company determined there was no impairment of goodwill.

(Expressed in United States Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022 $	December 31, 2021 $
Accounts payable	4,920,402	1,645,442
Direct deposit payable and credit card	431,612	30,886
Sales tax payable	770,371	407,031
	6,122,385	**2,083,359**

11. LOAN PAYABLE

Line of Credit Agreement

- **No B.S. Life, LLC**

	December 31, 2022 $	December 31, 2021 $
Addition	655,000	-
Finance costs	33,228	-
Repayments	(688,228)	-
Ending	-	-

During the year ended December 31, 2022, the Company through its subsidiary No B.S entered into a line of credit agreement (the "No BS Credit Facility") with a credit facility of $655,000. The No BS Credit Facility bears an interest of 16% per annum calculated daily with no fixed payment term.

During the year ended December 31, 2022, the Company withdrew $655,000 and made a repayment including interest of $688,228.

During the year ended December 31, 2022, the Company recognized $33,228 as finance costs (December 31, 2021 – $nil).

As of December 31, 2022, the outstanding balance of the No BS Credit Facility, including the accrued interest, was $nil (December 31, 2021 – $nil).

- **Tru Brands Inc.**

	December 31, 2022 $	December 31, 2021 $
Opening	1,450,319	-
Addition	7,490,000	1,441,243
Interest	206,846	9,076
Repayment	(5,237,393)	-
Ending	**3,909,772**	**1,450,319**

During the year ended December 31, 2021, the Company, through its subsidiary Tru Brands entered into a line of credit agreement (the "TB Credit Facility #1") with a credit facility of $2,500,000 which was initially amended to $5,000,000 during the year ended December 31, 2022, then further amended to $6,000,000 on February 22, 2023. The TB Credit Facility #1 bears an interest of 8% per annum, which was subsequently changed to 15%, calculated daily, with no fixed payment term.

(Expressed in United States Dollars)

11. LOAN PAYABLE (CONTINUED)

Line of Credit Agreement (continued)

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

The TB Credit Facility #1 is secured against all assets of Tru Brands.

During the year ended December 31, 2021, the Company withdrew $1,441,243 and accrued interest of $9,076.

During the year ended December 31, 2022, the Company withdrew $7,490,000 and made a repayment including interest of $5,237,393.

During the year ended December 31, 2022, the Company recognized $206,846 as finance costs (December 31, 2021 – $9,076).

As of December 31, 2022, the outstanding balance of the TB Credit Facility #1, including the accrued interest, was $3,909,772 (December 31, 2021 – $1,450,319).

	December 31, 2022 $	December 31, 2021 $
Addition	700,000	-
Interest	22,762	-
Repayment	(313,194)	-
Ending	**409,568**	**-**

During the year ended December 31, 2022, Tru Brands entered into another line of credit agreement (the "TB Credit Facility #2") with a credit facility of $700,000. The TB Credit Facility #2 bears an interest of 14% per annum and calculated daily with no fixed payment term.

During the year ended December 31, 2022, the Company withdrew $700,000 and made a repayment including interest of $313,194.

During the year ended December 31, 2022, the Company recognized $22,762 as finance costs (December 31, 2021 – $nil).

As of December 31, 2022, the outstanding balance of the TB Credit Facility #2, including the accrued interest, was $409,568 (December 31, 2021 – $nil).

(Expressed in United States Dollars)

11. LOAN PAYABLE (CONTINUED)

Line of Credit Agreement (continued)

- **Hervé Edibles Limited**

	December 31, 2022 $
Initial recognition	110,843
Interest	4,654
Repayment	(109,973)
Effect of movements on exchange rates	(5,524)
Ending	**-**

During the year ended December 31, 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 year ended December 31, 2022, the Company withdrew $110,843 (CA$142,400)

During the year ended December 31, 2022, the Company recognized $4,654 (CA$6,151) as finance costs (December 31, 2021 – $nil (CA$ nil)).

During the year ended December 31, 2022, the Company fully paid the HE Credit Facility including outstanding interest with an amount of $109,973 (CA$148,551)

As of December 31, 2022, the outstanding balance of the HE Credit Facility, including the accrued interest, was $nil (CA$ nil) (December 31, 2021 – $nil).

11. LOAN PAYABLE (CONTINUED)

Loan Agreements

- On December 11, 2020 (the "PKL Funding Date"), the Company through its 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 of the assets of the Company and guaranteed by the members of the Company. 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, the Company 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 and the PKL Capitalized Interest
  - On December 11, 2024 – 15% of the PK Loan Amount and the PKL Capitalized Interest
  - On December 11, 2025 – the remaining PK Loan Amount and the PKL Capitalized Interest

  The PK Loan contains financial covenants stating that the debt service coverage ratio (the "Debt Service Coverage Ratio") of the Company 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 December 31, 2022 and 2021, to the Company was not in compliance with the Debt service coverage ratio; as a result, the Company 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)

11. LOAN PAYABLE (CONTINUED)

Loan Agreements (continued)

The changes of the PK Loan during the years ended December 31, 2022 and 2021, are as follows:

	December 31, 2022 $	December 31, 2021 $
Opening	10,108,357	9,726,972
Interest	544,074	385,379
Repayment	(337,591)	-
Gain on modification	-	(3,994)
Ending	**10,314,840**	**10,108,357**

During the year ended December 31, 2022, the Company recognized $544,074 as finance costs (December 31, 2021 – $385,379).

During the the year ended December 31, 2022, the Company made the PKL Quarterly Payments with an amount of $337,591 (December 31, 2021 – $nil).

As at December 31, 2022, the carrying value of the PK Loan is $10,314,840 which is classified as current liability (December 31, 2021 – $10,108,357).

12. PROMISSORY NOTES

	December 31, 2022 $	December 31, 2021 $
Opening	5,934,543	6,640,452
Addition	1,200,000	2,110,000
Interest	320,607	555,630
Repayment	(4,528,132)	(3,371,539)
Conversion	(506,702)	-
Ending	**2,420,316**	**5,934,543**
Current	1,793,119	4,752,059
Long-term	627,197	1,182,484
Ending	**2,420,316**	**5,934,543**

12. PROMISSORY NOTES (CONTINUED)

During the year ended December 31, 2022

- 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 made payments of $3,610,650 to the promissory notes issued to PureKana founders on December 4, 2020 (the "PK Promissory Notes").

  In addition, the Company entered into an agreement with to note holder to settle the remaining balance of the PK Promissory Notes with a monthly payment of $50,000 beginning on December 15, 2022 and continuing until the PK Promissory Notes are paid in full.

- 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 16). As a result of the settlement, the Company reclassified the carrying value of the promissory notes of $506,702 to share capital.

- 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 entered into a loan agreement with an amount of $1,000,000 of which $100,000 was received subsequent to December 31, 2022. The loan bears 15% interest per annum and will be repaid over 42-months.

During the year ended December 31, 2021

- The Company partially repaid the promissory notes issued to PureKana's founders with $2,865,929.

- In connection with the Acquisition of No BS (Note 3), the Company issued an unsecured promissory note of $500,000 with fair value of $492,407, on April 13, 2021 (the "No BS Promissory Note"). The No BS Promissory Note bears a non-compounding interest at 3.25% per annum and payable at the maturity date, which is August 17, 2021.

  The No BS Promissory Note including interest with an amount of $505,610 was paid during the year ended December 31, 2021.

- On March 3, 2021, the Company issued a promissory note for cash proceeds of $480,000. The promissory note bears interest at 9% per annum and matures on March 3, 2023.

- On May 4, 2021, the Company issued a promissory note for cash proceeds of $630,000. The promissory note bears interest at 9% per annum and matures on May 4, 2023.

- On December 20, 2021, the Company issued a promissory note for cash proceeds of $500,000. The promissory note bears interest at 12% per annum and matures on December 20, 2022.

(Expressed in United States Dollars)

12. PROMISSORY NOTES (CONTINUED)

An interest expense of $320,607 (December 31, 2021 – $555,630) was recorded as finance costs with a corresponding increase in the carrying value of the liability.

As at December 31, 2022, the carrying value of the promissory notes is $2,420,316 (December 31, 2021 – $5,934,543) of which $1,793,119 (December 31, 2021 – $4,752,059) was classified as current liability.

13. CONVERTIBLE NOTES

	December 31, 2022 $	December 31, 2021 $
Opening	3,135,054	-
Initial recognition	371,156	5,149,991
Interest	217,289	188,098
Repayment	(553,666)	-
Conversion	(1,025,162)	(2,203,035)
Interest payable transferred to accounts payable and accrued liabilities	(24,334)	-
Effect of movements on exchange rates	(20,034)	-
Ending	**2,100,303**	**3,135,054**
Current	1,711,223	-
Long-term	389,080	3,135,054
Ending	**2,100,303**	**3,135,054**

During the year December 31, 2022

- Convertible notes with a principal value of $1,021,850 including outstanding interest were converted into 283,527 common shares (Note 17); 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.

13. CONVERTIBLE NOTES (CONTINUED)

During the year December 31, 2022 (continued)

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 derivate liability ($291,184 (CA$373,684)) (Note 15) and the remaining balance of $476,316 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.

Subsequent to December 31, 2022, the Company issued 90,426 common shares to settle the interest payment of CA$21,250.

During the year December 31, 2021

- In connection with the Acquisition of No B.S., the Company issued unsecured convertible notes with a face value of $4,000,000. The convertible notes bear an interest of 3.25% and mature on February 17, 2023.

  At the date of issuance, the Company incurred debt issue costs of $286,341 which was netted with the loan and accreted to $4,000,000 between the date of issuance to February 17, 2023, by the effective interest rate method.

  The convertible notes were convertible at the option of the holders. Interest on these convertible notes is payable when the notes are converted or become due.

  The convertible notes holders may convert the convertible notes to the common shares of the Company any time before the maturity date at the highest price of:

  i) The volume weighted average closing price ("VWAP") of the Company's common shares on the Exchange during the 15 days trading days immediately preceding the date of conversion: or
  ii) CA$3.33.
  (the "NO BS Conversion Price")

  The convertible notes holders are not entitled to exercise the conversion right in respect of the convertible notes if the convertible notes holders will hold in excess of 7% of the issued and outstanding commons shares of the Company.

13. CONVERTIBLE NOTES (CONTINUED)

During the year December 31, 2021 (continued)

- In connection with the Acquisition of NG, the Company issued $1,500,000 3.25% unsecured convertible notes with a maturity date of April 27, 2023. The convertible notes were convertible at the option of the holders. Interest on these convertible notes is payable when the notes are converted or become due.

  The convertible notes holders may convert the convertible notes to the common shares of the Company any time before the maturity date at the highest price of:

  i) the VWAP of the Company's common shares on the Exchange during the 15 days trading days immediately preceding the date of conversion; or
  ii) CA$3.50.
  (the "NG Conversion Price")

  In connection with the convertible notes, the Company incurred issuance costs of $63,668. These issuance costs are recorded as a reduction of the carrying value of the convertible notes. The carrying value of the convertible notes is being accreted to $1,500,000 between the date of issuance to April 27, 2023, by the effective interest rate method.

- Convertible notes with a principal value of $2,328,050 were converted into common shares (Note 23); as a result of conversion, the Company reclassified the carrying value of the converted convertible notes of $2,203,035 to share capital.

During the year ended December 31, 2022, accretion expense of $211,535 (December 31, 2021 – $188,098) was recorded as finance cost with a corresponding increase in the carrying value of the convertible notes.

As of December 31, 2022, the carrying value of the convertible notes was $2,155,505 of which $444,282 was classified as long-term liability (December 31, 2021 – $3,135,054).

Subsequent to December 31, 2022

- The Company repaid the convertible notes with a principal value of $1,620,000 plus outstanding interest of $105,650.

(Expressed in United States Dollars)

14. CONVERTIBLE PREFERRED SHARES

Following is the change of the convertible preferred shares during the years ended December 31, 2022 and 2021:

	$
As at December 31, 2020	**3,132,461**
Finance costs	752,823
Conversion	(3,885,284)
As at December 31, 2022 and 2021	**-**

In connection with the reverse takeover incurred during the year ended December 31, 2020, the Company assumed the secured debts in the aggregate principal amount plus accrued interest of $15,134,298 payable to the PureKana Founders and repaid $8,200,000 (the "Redemption Value") of the outstanding aggregate principal amount and interest accrued thereon through the issuance of an aggregate of 1,025,000 Series 1 Preferred Shares with a redemption amount of $8.00 (the "Redemption Amount") to the PureKana Founders. The holders of the Series 1 Preferred Shares (the "PS Holders") are entitled to receive a preferential cumulative cash dividend at the rate of 6% per annum.

During the year ended December 31, 2021, the Company completed a conversion agreement with the PS Holders to convert the entire convertible preferred shares ($8,200,000) and outstanding interest payment into common shares. As a result, the Company reclassified the fair value ($3,885,284) of convertible preferred shares associated with the derivative liability (Note 16) at the conversion date to common shares (Note 17).

During the year ended December 31, 2021, accretion expense of $752,823 was recorded as finance cost with a corresponding increase in the carrying value of the convertible preferred shares.

As of December 31, 2022 and 2021, the carrying value of the convertible preferred shares was $nil.

15. PROVISION OF EARN-OUT PAYMENTS

Following is the change of the provision of earn-out payments during the year ended December 31, 2021:

	$
Initial recognition	582,516
Finance costs	319,393
Remeasurement	(901,909)
As at December 31, 2022 and 2021	**-**

Pursuant to the NG Agreement (Note 3), the current members of Nirvana will be eligible to receive the NG Earn-Out Payments.

The Company valued the NG Earn-Out Payments based on an analysis using a cash flow model to determine the expected contingent consideration payment as $1,220,268 at the date of acquisition and allocated $637,752 as a derivate liability (Note 16) and the remaining balance of $582,516 was recorded as provision of earn-out payments.

During the year ended December 31, 2021, accretion expense of $319,393 was recorded as finance cost with a corresponding increase in the carrying value of the provision of earn-out payments.

15. PROVISION OF EARN-OUT PAYMENTS (CONTINUED)

As discussion in Note 16 as of December 31, 2021, the Company determined the current members of DTC are not eligible to the 2021 NO BS Earn-Out Payments as No B.S. did not meet the 2021 NO BS Target; as a result, the Company derecognized the correspondence earn-out payments and recognized a gain on remeasurement of provision of earn-out payments with an amount of $849,529.

As discussion in Note 16, as of December 31, 2021, the Company determined the criterion of the 2021 NG Earn-Out Payments and 2022 NG Earn-Out Payments will not be met; as a result, the Company derecognized the correspondence earn-out payments and recognized a gain on remeasurement of provision of earn-out payments with an amount of $901,909.

As of December 31, 2022 and 2021, the carrying value of the provision of earn-out payments was $nil.

16. DERIVATIVE LIABILITY

<u>During the year ended December 31, 2022</u>

As discussion in Note 13, the Company issued CA$850,000 ($661,950) 2-year 10% unsecured convertible notes. Interest is payable on each calendar-quarter-end date until maturity (the "Interest Due Date"). The Company determined that it had an obligation to the convertible notes' holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ 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 derivate liability ($291,184 (CA$373,684)) at the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions and recorded these values as a derivate liability:

- Risk-free interest rate of 3.19%
- Expected life of 2 years
- Expected volatility of 84% and
- Expected dividend yield of 10%
-

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.

As of December 31, 2022, the Company remeasured the fair value of the derivative liability using the Black-Scholes option pricing model, assuming a risk-free interest rate of 4.07%, an expected life of 1.6 years, an expected volatility of 148% and an expected dividend yield of 10%, which totaled $175,122. The change in the fair value ($116,062) of the derivative liability was recognized as a gain on remeasurement of derivative liability in the statements of loss and comprehensive loss during the year ended December 31, 2022.

(Expressed in United States Dollars)

16. DERIVATIVE LIABILITY (CONTINUED)

<u>During the year ended December 31, 2021</u>

Following is the change of the derivative liability during the year ended December 31, 2021:

Related to:	Convertible preferred shares (Note 14)	Provision of earn-out payments (Note 15)	TOTAL
	$	$	$
As at December 31, 2020	**5,469,209**	**-**	**5,469,209**
Addition	-	637,752	**637,752**
Conversion	(4,887,783)	-	**(4,887,783)**
Remeasurement	(581,426)	(637,752)	**(1,219,178)**
As at December 31, 2021	**-**	**-**	**-**

The Company recognized the derivative liability for the financial liability issued with an option to convert or settle the liability by issuing the Company's common shares, and the number of shares of the Company to be issued upon the conversion or the settlement would depend on the market price of the common shares of the Company and/or the foreign exchange rate between US$ and CA$ at the date of conversion or settlement. The derivative liability is re-measured at each reporting period.

<u>Convertible preferred shares</u>

As discussed in Note 17, the Company issued convertible preferred shares In connection with the PK Transaction to the PureKana Founders.

The Company determined that it had an obligation to the PS 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.

For accounting purposes, the Company calculated the fair value of the derivate liability at the date of issuance using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.38%, an expected life of 5 years, an expected volatility of 100% and an expected dividend yield of 6%, which totaled $5,116,573 and recorded these values as a derivate liability. The remaining balance of $3,083,427 was recorded as convertible preferred shares.

As the date of the PK Transaction, the fair value of the derivative liability ($5,116,573) was charged directly to retained earnings.

During the year ended December 31, 2021, the Company completed a conversion agreement with the PS Holders to convert the entire convertible preferred shares ($8,200,000) into common shares. As a result, the Company reclassified the fair value ($4,887,783) of derivative liability associated with the convertible preferred shares (Note 14) at the conversion date to common shares (Note 17).

(Expressed in United States Dollars)

16. DERIVATIVE LIABILITY (CONTINUED)

During the year ended December 31, 2021 (continued)

Provision of earn-out payments

Pursuant to the NG Agreement, the current members of Nirvana will be eligible to receive earnout compensation of $500,000 payable in the Company's common shares (the "2021 NG Earn-Out Payments"), if sales from Nirvana's products equals or exceeds $1 million for the 2021 fiscal year (the "2021 NG Target"), and an additional $1 million payable in the Company's common shares (the "2022 NG Earn-Out Payments") (the "NG Earn-Out Payments") if sales from Nirvana's products exceeds USD$2.5 million for the 2022 fiscal year (the "2022 NG Target").

The number of common shares to be issued for the NG Earn-Out Payments is determined based on the NG Conversion Price.

For accounting purposes, the Company calculated the fair value of the derivate liability ($637,752) at the date of issuance using the Black-Scholes option pricing model with the following:

	2021 Earn-Out Payments	2022 Earn-Out Payments
Risk-free interest rate	0.30%	0.30%
Expected annual volatility	92%	96%
Expected life (in years)	0.92	1.92
Expected dividend yield	-	-
Grant date fair value ($)	186,381	451,371

During the year ended December 31, 2021, the Company reassessed the fair value of derivative liability and determined the criterion of the 2021 NG Earn-Out Payments and 2022 NG Earn-Out Payments will not be met; as a result, the Company derecognized the corresponding derivative liability.

During the year ended December 31, 2021, a gain on fair value adjustment of derivative liability of $1,219,178 was recorded in the statements of income (loss) and comprehensive income (loss) of with a corresponding decrease (increase) in the carrying value of the derivative liability.

As of December 31, 2022 and 2021, the fair value of derivative liability related to the provision of earn-out payments was $nil.

17. 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
On December 11, 2020, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release as follows:

- December 11, 2020: 5,535,469 common shares (released)
- June 11, 2021: 5,160,469 common shares (released)
- December 11, 2021: 5,160,469 common shares (released)
- June 11, 2022: 5,160,468 common shares (released)

As discussed in Note 3, 409,243 BRN Consideration Shares have been placed in escrow, subject to release upon the satisfaction of certain conditions.

As of December 31, 2022, there were 409,243 common shares held in escrow (December 31, 2021 – 5,160,468).

Issued share capital
As at December 31, 2022, the Company had 42,488,379 common shares [(1)] (December 31, 2021 – 26,066,432) common shares issued and outstanding.

(1) 409,243 common shares were placed in escrow.

During the year ended December 31, 2022

- As discussed in Note 3, 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 connection with the acquisition, 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.

- As discussed in Note 3, on April 1, 2022, the Company completed an acquisition of BRN and acquired of all of the issued and outstanding common shares of BRN in exchange for an aggregate of 2,701,669 common shares of the Company with fair value of $10,000,000 of which 433,344 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.

- As discussion in Note 13, 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.

- As discussed in Note 12, on April 21, 2022, 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 $1,402,247 for the restricted share unit.

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

17. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended December 31, 2022 (continued)

- 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; as a result, the Company recognized a gain on settlement of the milestone shares of $428,656.

- The Company issued 221,266 with fair value of $50,000 pursuant to the Sponsorship Agreement (Note 17).

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

During the year ended December 31, 2021

- The Company issued the TB Exchange Consideration to acquire 100% of the issued and outstanding shares of Tru Brands (Note 3).

- In connection with the acquisition of Tru Brands, the Company issued the TB Finders' Shares (Note 6).

- The Company issued the CMG Share Consideration to acquire 60% of the outstanding shares of CMG (Note 3).

- The Company issued 457,521 common shares for conversion of the convertible notes. As a result of the conversion, the Company reclassified the carrying value of the convertible notes ($2,203,035) (Note 14) to share capital.

- The Company issued 2,327,833 common shares for conversion of the preferred shares. As a result of the conversion, the Company reclassified the carrying value of the preferred shares ($3,885,284) (Note 14) and the fair value of the derivative liability of the converted preferred shares ($4,887,783) (Note 16) to share capital.

- The Company issued 47,753 common shares with fair value of $225,000 for advisory services.

- 22,500 warrants were exercised for cash proceeds of $23,636 (CA$30,000). In addition, the Company reclassified the grant date fair value of the exercised warrants of $52,933 from reserve to share capital.

- 33,750 stock options were exercised for cash proceeds of $35,559 (CA$45,000). In addition, the Company reclassified the grant date fair value of the exercised warrants of $82,880 from reserve to share capital.

- The Company issued 485,225 common shares with fair value of $2,201,951 for the restricted share unit.

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

Subsequent to December 31, 2022

- The Company completed a private placement of 28,000,000 units ("Units") at a price of CA$0.25 for gross proceeds of CA$7,000,000. Each Unit consists of one common share and one-half of one common share purchase warrant. 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. In connection with the private placement, the Company paid a finders' fee of $449,400 and issued 1,797,600 non-transferable finders warrants. Each finder's warrant may be exercised to acquire one Unit at a price of CA$0.25 per Unit until February 14, 2025.

Warrants

The changes in warrants during the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	-	-	22,500	1.33
Issued	500,000	0.55	-	-
Exercised	-	-	(22,500)	1.33
Balance, closing	**500,000**	**0.55**	**-**	**-**

During the year ended December 31, 2022, the Company issued 500,000 warrants with an exercise price of CA$0.55 to a consultant for consulting services of $106,675 (CA$141,750).

The following summarizes information about warrants outstanding as at December 31, 2022:

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	1.87
		500,000	**106,675**	**1.87**
Weighted average exercise price ($)		**0.55**		

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

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.

- **Stock options**

  The changes in stock options during the years December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	1,351,030	5.70	37,500	1.33
Granted	242,000	0.72	1,351,030	5.70
Exercised	-	-	(33,750)	1.33
Expired	-	-	(3,750)	1.33
Cancelled	(932,030)	5.70	-	-
Forfeited	(45,000)	5.70	-	-
Balance, closing	**616,000**	**3.74**	**1,351,030**	**5.70**

During the year ended December 31, 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 year ended December 31, 2022.

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

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

- **Stock options (continued)**

During the year ended December 31, 2021

- On July 26, 2021, the Company granted 932,030 options with an exercise price of CA$5.70 to its officers of the Company. The options are exercisable for a period of five years. One-third vest on date of grant and one-third will vest every nine months thereafter.

- On July 26, 2021, the Company granted 419,000 options with an exercise price of CA$5.70 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.

The estimated grant date fair value of the options granted during the years ended December 31, 2022 and 2021 was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended	
	December 31, 2022	**December 31, 2021**
	$	**$**
Number of options granted	242,000	1,351,030
Risk-free interest rate	2.79%	73.00%
Expected annual volatility	89%	95%
Expected life (in years)	5	5
Expected dividend yield	-	-
Grant date fair value per option (CA$)	0.49	3.20
Share price at grant date (CA$)	0.72	5.70

During the year ended December 31, 2022, the Company recognized share-based payments expense of $1,684,566 (December 31 – $2,208,609) arising from the stock options.

The following summarizes information about stock options outstanding and exercisable as at December 31, 2022:

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	374,000	124,669	1,197,030	3.57
February 23, 2027	5.70	15,000	-	39,255	4.15
August 4, 2027	0.39	227,000	-	57,750	4.59
		616,000	**124,669**	**1,294,035**	**3.96**
Weighted average exercise price ($)		**1.81**	**5.70**		

The weighted average remaining vesting period of the vested options is 3.57 years.

17. SHARE CAPITAL (CONTINUED)

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

- **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.

  During the year ended December 31, 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.

  - On August 11, 2022, 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 year ended December 31, 2021

  - On July 27, 2021, the Company issued 472,100 RSUs with fair value of $2,142,390 to its directors, employees and consultants. All of the RSUs granted vested immediately at the date of grant. During the year ended December 31, 2021, the Company issued 472,100 common shares for the RSUs.

  - On July 27, 2021, the Company issued 432,000 RSUs with fair value of $1,960,416 to its employees and consultants. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.

  During the year ended December 31, 2022, the Company recognized share-based payments expense of $2,617,303 (December 31, 2021 – $3,406,551) arising from the RSUs.

  As of December 31, 2022, the Company had 2,785,935 unvested RSUs (December 31, 2021 – 418,875) issued and outstanding.

- **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.

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

Distribution to shareholders

During the year ended December 31, 2022, no cash distribution was made by PureKana to its members (December 31, 2021 – $4,171).

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 December 31, 2022 is as follows:

- Purekana 49.90% (December 31, 2021 – 49.90%);
- No B.S. Skincare 17.46% (December 31, 2021 – 17.46%); and
- CMG 40.00% (December 31, 2021 – 40%).

The following schedule shows the effects of the changes in non-controlling interest during the year ended December 31, 2022 and 2021:

	December 31, 2022 $	December 31, 2021 $
Opening	(1,404,465)	720,206
Contribution	-	(76,286)
Share of loss	(48,220)	(2,044,214)
Distribution	-	(4,171)
Ending	**(1,452,685)**	**(1,404,465)**

No dividends were paid to the NCI during the years ended 31 December 2022 and 2021.

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

PureKana

As of:	December 31, 2022 $	December 31, 2021 $
Current assets	8,282,079	7,346,415
Non-current assets	3,217,167	2,971,569
TOTAL ASSETS	**11,499,246**	**10,317,984**
Current liabilities	(12,851,396)	(11,728,316)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(12,851,396)**	**(11,728,316)**
Equity attributable to owners of the parent	**(677,427)**	**(706,576)**
Non-controlling interests	**(674,723)**	**(703,756)**

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

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

PureKana (continued)

For the years ended	December 31, 2022 $	December 31, 2021 $
Revenue	50,310,098	14,676,264
Net income (loss)	58,182	(2,871,454)
Income (loss) and comprehensive income (loss)	58,182	(2,871,454)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**29,149**	**(1,438,598)**
Non-controlling interests	**29,033**	**(1,432,856)**
Cash flow provided by (used in) operating activities	821,562	(5,865,581)
Cash flow provided by (used in) investing activities	(323,400)	(1,107,658)
Cash flow provided by (used in) financing activities	(372,941)	(55,026)
Net cash flow	**125,221**	**(7,028,265)**

No B.S. Skincare

As of:	December 31, 2022 $	December 31, 2021 $
Current assets	(349,930)	359,062
Non-current assets	2,249	3,592
TOTAL ASSETS	**(347,681)**	**362,654**
Current liabilities	(88,403)	(356,407)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(88,403)**	**(356,407)**
Equity attributable to owners of the parent	**(359,922)**	**5,156**
Non-controlling interests	**(76,162)**	**1,091**

For the years ended	December 31, 2022 $	December 31, 2021 $
Revenue	2,145,622	1,909,634
Net income (loss)	(442,331)	(523,656)
Income (loss) and comprehensive income (loss)	(442,331)	(523,656)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(365,078)**	**(432,199)**
Non-controlling interests	**(77,253)**	**(91,457)**
Cash flow provided by (used in) operating activities	(6,211)	10,181
Cash flow provided by (used in) investing activities	-	-
Cash flow provided by (used in) financing activities	(33,228)	-
Net cash flow	**(39,439)**	**10,181**

(Expressed in United States Dollars)

17. SHARE CAPITAL (CONTINUED)

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

CMG

As of:	December 31, 2022 $	December 31, 2021 $
Current assets	3,909	4,506
Non-current assets	-	-
TOTAL ASSETS	**3,909**	**4,506**
Current liabilities	(14,500)	(121,046)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(14,500)**	**(121,046)**
Equity attributable to owners of the parent	**(6,355)**	**(69,924)**
Non-controlling interests	**(4,236)**	**(46,616)**

For the years ended	December 31, 2022 $	December 31, 2021 $
Revenue	-	6,101
Net income (loss)	(105,949)	(116,540)
Income (loss) and comprehensive income (loss)	(105,949)	(116,540)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(63,569)**	**(69,924)**
Non-controlling interests	**(42,380)**	**(46,616)**
Cash flow provided by (used in) operating activities	(597)	4,506
Cash flow provided by (used in) investing activities	-	-
Cash flow provided by (used in) financing activities	-	-
Net cash flow	**(597)**	**4,506**

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.

(Expressed in United States Dollars)

18. FINANCE COSTS

	For the years ended	
	December 31, 2022	December 31, 2021
	$	$
Accretion of interest of convertible notes	**217,289**	188,097
Accretion of interest of lease obligation	**1,594**	8,695
Accretion of interest of loan payable	**811,564**	385,379
Accretion of interest of preferred shares	**-**	752,823
Accretion of interest of promissory notes	**320,607**	555,630
Accretion of interest of provision of earn-out payments	**-**	319,393
Debt issuance costs	**41,035**	9,076
Others	**6,255**	121,785
	1,398,344	**2,340,878**

19. GRANT AND OTHER ASSISTANCE

On March 27, 2020, Congress passed, and the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act, which is commonly known as the CARES Act which provides a stimulus package to certain businesses and individuals affected by the novel COVID-19 emergency.

On December 27, 2020, the President of the United States signed new stimulus legislation into law. The new law, the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*, P.L. 116-260 (the "Economic Aid Act"), authorizes new and additional loans under the Paycheck Protection Program (the “PPP Loan”) and modifies the law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) for this purpose.

The proceeds from the PPP Loan may only be used to fund following eligible expenses:

- Payroll, rent, covered mortgage interest and utilities;
- Certain worker protection and facility modification expenditures, including personal protective equipment, to comply with COVID-19 federal health and safety guideline;
- Certain property damage costs related to property damage and vandalism or looting due to public disturbances in 2020 that were not covered by insurance or other compensation;
- Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations; and
- Other certain operating expenditures, such as payments for business software or cloud computing services; product or service delivery expenses; the processing, payment, or tracking of payroll expenses; human resources; sales and billing functions; or accounting or tracking of supplies, inventory, records, and expenses.

For expenses to be forgivable, the proceeds of the PPP Loan will have to be spent at least 60% on payroll over 8 or 24 weeks covered period.

The PPP Loan bears 1% interest per annum. The Company may repay the PPP Loan anytime or before June 17, 2022.

During the year ended December 31, 2021, No B.S. received the PPP Loan in the amount of $152,795. No B.S. received an approval of the loan forgiveness during the year ended December 31, 2021; as a result, the Company recognized a grant and other assistance of $152,795 during the year ended December 31, 2021.

(Expressed in United States Dollars)

19. GRANT AND OTHER ASSISTANCE

In addition, the CARES Act provided for an Employee Retention Tax Credit (the "ERC"), a refundable tax credit, to encourage eligible employers to retain employees despite experiencing economic hardship related to COVID-19. The Company applied for the ERC during the year ended December 31, 2021, and was approved during the year ended December 31, 2022, received a net amount of $ 336,008 for the periods of June 1, 2020, to September 30, 2020, and March 1, 2021, to September 30, 2021.

20. SUPPLEMENTAL CASH FLOW INFORMATION

		For the years ended	
	Note(s)	December 31, 2022 $	December 31, 2021 $
Convertible notes issued for acquisition	3, 13	-	5,149,991
Fair value of provision of earn-out payments at the date of acquisition	15	-	1,220,268
Fair value of milestone shares issued	17	71,215	-
Initial recognition of provision	3, 17	499,871	-
Interest payable transferred to accounts payable and accrued liabilities		24,334	-
Promissory note issued for acquisition	3, 12	-	492,407
Reclassification of current portion of lease obligation		-	17,099
Reclassification of current portion of promissory note	11	2,958,940	4,752,059
Reclassification of fair value of derivative liability related to the convertible notes	13, 16	291,184	-
Reclassification of fair value of derivative liability related to the provision of earn-out payments	15, 16	-	637,752
Reclassification of grant-date fair value on exercise of stock options	17	-	82,880
Reclassification of grant-date fair value on exercise of warrants	17	-	52,933
Reclassification of grant-date fair value on expired stock options	17	2,983,056	9,209
Reclassification of the prepaid expenses related to the acquisition of No BS Life, LLC.	3	-	1,500,000
Recognition of the deferred income tax liability related the recognition of goodwill acquired through the acquisition of TRU Brands Inc.		-	1,076,000
Shares issued for acquisition	3, 17	16,342,974	7,204,729
Shares issued for conversion of convertible notes	13	1,025,162	2,203,035
Shares issued for conversion of convertible preferred shares	14	-	8,773,067
Shares issued for promissory notes	12	506,702	-
Shares issued for restricted share units		1,402,250	2,201,951
Cash paid for income taxes		337,591	-
Cash paid for interest		184,417	-

21. 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 year ended December 31, 2022, the key management compensation was:

- Salaries and benefits – $519,616 (December 31, 2021 – $820,783)
- Share-based payments – $3,517,609 (December 31, 2021 – $2,863,482)

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

During the year ended December 31, 2022

The Company issued the following RSUs to its directors and officers:

- 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.

- 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 RSUs will amortize over the vesting period.

During the year ended December 31, 2021

- The Board approved a performance bonus of $128,625 to be paid to the Company's Chief Financial Officer. The amount was paid during the year ended December 31, 2021.

- On July 27, 2021, the Company granted 932,030 options with an exercise price of $5.70 to its officers. The options are exercisable for a period of five years with fair value of $1,353,411 which will amortize over the vesting period (Note 23).

- On July 27, 2021, the Company issued 345,000 RSUs with fair value of $1,565,610 to its directors (Note 23). The fair value of the RSUs will amortize over the vesting period.

22. COMMITMENTS

- On March 1, 2022, the Company through No B.S. entered into a brand ambassador agreement (the "Sponsorship Agreement") with Julianna, the mixed martial artist who won the UFC Women's Bantamweight Championship this past December and was named MMA Junkie's Female Fighter of the Year.

22. COMMITMENTS (COTINUED)

Pursuant to the Sponsorship Agreement, Julianna agreed to act as a brand ambassador for No B.S., providing certain online posts, endorsements and social media content. In consideration for the services provided under the Sponsorship Agreement, No B.S. agreed to pay Julianna an engagement fee of $100,000 (the "Engagement Fee"), a royalty fee equal to 10% of the gross revenues generated from sales achieved by No B.S. from certain sales, and a one-time bonus of $25,000 in the event the campaign generates a minimum of $500,000 in gross revenues. Each of these amounts is payable in common shares of the Company or cash, at the discretion of No B.S. and subject to approval of the Exchange. The Engagement Fee is payable in four equal installments, to be paid quarterly commencing on May 1, 2022. The other fees will be payable upon achievement of the associated sales targets. The number of common shares will be determined based on the higher of i) the 10-day VWAP of the common shares on the payment date and ii) the discounted market price as defined by the Exchange Policy 1.1.

During the year ended December 31, 2022, the Company issued 221,266 common shares with a fair value of $50,000 for the first two installments of the Engagement Fee.

- On January 25, 2023, the Company entered into a Branding Earnout Agreement (the "Earnout Agreement") with a group of individual rightsholders 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 chare 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 the a 2-year period pursuant to the Earnout Payments.

23. CONTINGENCIES

Litigation

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.

24. 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.

(Expressed in United States Dollars)

24. SEGMENTED INFORMATION (CONTINUED)

During the years ended December 31, 2022 and 2021, 3 and 5 vendors represented more than 75% of the Company's inventory purchases, respectively.

During the years ended December 31, 2022 and 2021, there were no significant customers which made up more than 10% of sales.

25. 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 year ended December 31, 2022. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 11. As of December 31, 2022, the Company the Company was not in compliance with these financial covenants.

26. 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:

	December 31, 2022 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash and cash equivalents	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)	-
Current portion of derivative liability	(175,122)	(175,122)	-	-
Current portion of loan payable	(14,634,180)	-	(14,634,180)	-
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)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

	December 31, 2021 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash and cash equivalents	2,234,993	-	2,234,993	-
Accounts receivable	399,665	-	399,665	-
Other receivable	1,150	-	1,150	-
Restricted cash	325,000	-	325,000	-
Deposits	12,299	-	12,299	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(2,083,359)	-	(2,083,359)	-
Current portion of lease obligation	(33,756)	-	(33,756)	-
Current portion of loan payable	(11,558,676)	-	(11,558,676)	-
Current portion of promissory note	(4,752,059)	-	(4,752,059)	-
Promissory note	(1,182,484)	-	(1,182,484)	-
Convertible notes	(3,135,054)	-	(3,135,054)	-

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 December 31, 2022 are shown below:

		Estimated fair value		
	December 31, 2022	Level 1 $	Level 2 $	Level 3 $
Current portion of derivative liability	(175,122)	-	-	(175,122)

The financial instrument recorded at fair value on the statement of financial position is derivative liability 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 Note 16 for further disclosures.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

As of December 31, 2022 and 2021, 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.

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 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 December 31, 2022, 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 December 31, 2022 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 year ended December 31, 2022. 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.

(Expressed in United States Dollars)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

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 year ended December 31, 2022, 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 December 31, 2022, the Company had cash of $2,343,178 to meet short-term business requirements. As of December 31, 2022, the Company had current liabilities of $24,473,043 (Note 1 – Going Concern).

27. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2022	**2021**
	$	**$**
Loss before income taxes for the year	(13,380,865)	(12,868,612)
Expected income tax (recovery)	(3,610,000)	(3,475,000)
Change in statutory, foreign tax, foreign exchange rates	176,000	441,000
Acquisition of subsidiaries	(1,264,000)	-
Permanent differences	1,512,000	(125,000)
Non-controlling interest	11,000	471,000
Other	-	(68,000)
Adjustment to prior years provision versus statutory tax returns	(8,447,000)	109,000
Change in unrecognized deferred tax assets	10,590,000	2,603,000
Total income tax expense (recovery)	**(1,032,000)**	**(44,000)**

(Expressed in United States Dollars)

27. INCOME TAXES (CONTINUED)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2022 $	2021 $
Deferred tax assets (liabilities)		
Stock-based compensation and other	-	1,403,000
Intangible assets	(1,433,000)	(605,000)
Convertible preferred shares	-	(810,000)
Convertible notes	(41,000)	(5,000)
Losses available for future periods	1,474,000	1,736,000
Net deferred tax asset	**-**	**1,719,000**
Unrecognized deferred tax assets	**-**	**(2,751,000)**
Net deferred tax liabilities	**-**	**(1,032,000)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Share issue costs	279,000	2043 to 2046	299,000	2042 to 2045
Stock-based compensation and other	6,704,000	No expiry date	5,647,000	No expiry date
Intangible assets	5,734,000	No expiry date	2,105,000	No expiry date
Convertible preferred shares	625,000	No expiry date	-	No expiry date
Losses available for future periods	37,726,000		3,567,000	
Canada	8,117,000	2040 to 2042	1,077,000	2040 to 2041
USA	29,609,000	No expiry date	2,490,000	No expiry date