SIMPLY BETTER BRANDS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Simply Better Brands Corp.

Opinion

We have audited the accompanying consolidated financial statements of Simply Better Brands Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $24,254,549 during the year ended December 31, 2023 and, as of that date, the Company's had an accumulated deficit of $61,263,220 and a working capital deficit of $12,526,672. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of the Company for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on May 8, 2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Impairment of Goodwill and Definite Life Intangible Assets

As described in Note 7 and 8 of the consolidated financial statements the carrying amount of goodwill and definite life intangible assets was $5.4 million as at December 31, 2023. Management performs an impairment assessment on goodwill annually, or more frequently when there is an indication of impairment. Management performs an impairment assessment on definite life intangible assets when there is an indication of impairment. An impairment loss is recognized if the carrying amount of a cash generating unit ("CGU") or grouped CGUs to which the goodwill and definite life intangible assets relate, exceeds its recoverable amount. In determining the estimated recoverable amount, the Company uses a discounted cash flow model which includes significant assumptions such as future cash flows, growth rates, and discount rates.

The principal considerations for our determination that the impairment assessment of goodwill and definite life intangible assets at the CGU level is a key audit matter is the significant judgement and subjectivity required by management when developing the recoverable amount of the CGUs. This in turn leads to a high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate management's significant assumptions, including future cash flows, growth rates and discount rates.

Our approach to addressing the key audit matter included the following, among others:

- Understanding management's processes and controls regarding management's impairment assessment, including controls over the determination of the CGUs.
- Evaluating the appropriateness of management's use of the discounted cash flow model and tested the mathematical accuracy thereof.
- Assessing the reasonableness of management's forecasted cash flows, revenue levels and growth rates, and operating margins by comparing them to current and historical performance, current industry, market and economic trends.
- Utilizing professionals with specialized skill and knowledge in the field of valuation to assist in evaluating the appropriateness of management's discounted cash flow model and in testing the reasonableness of certain significant assumptions.
- Performing sensitivity analysis on significant assumptions to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions.
- Assessing the appropriateness of the disclosures relating to goodwill and definite life intangible assets in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 24, 2024

Table of Contents

Simply Better Brands Corp.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

As at	Note(s)	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash		2,330,382	2,343,178
Restricted cash		325,000	-
Accounts receivable	4	2,367,447	4,616,267
Other receivable		129,468	134,500
Prepaid expenses and others	5	2,781,904	4,488,817
Inventory	6	6,166,311	3,554,563
		14,100,512	**15,137,325**
Non-current assets			
Restricted cash	11	-	325,000
Deposits		1,534	3,783
Equipment		914	11,875
Intangible assets	7	1,533,408	6,321,344
Goodwill	8	3,902,398	14,830,827
		5,438,254	**21,492,829**
TOTAL ASSETS		**19,538,766**	**36,630,154**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	6,790,477	6,122,385
Deferred revenue		591,998	37,014
Derivative liability	15	8,862	175,122
Amount due to the revolving credit facilities	10	7,047,616	4,319,340
Loan payable	11	10,404,928	10,314,840
Current portion of promissory note	13	906,337	1,793,119
Current portion of convertible notes	14	529,510	1,711,223
Warrant liabilities	12	347,456	-
		26,627,184	**24,473,043**
Non-current liabilities			
Promissory note	13	552,391	627,197
Convertible notes	14	-	389,080
		552,391	**1,016,277**
TOTAL LIABILITIES		**27,179,575**	**25,489,320**

(Expressed in United States Dollars)

As at	Note(s)	December 31, 2023 $	December 31, 2022 $
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	16	51,289,400	45,411,501
Share subscription received	16	-	235,357
Additional paid-in capital	16	3,179,510	3,068,551
Reserves	16	3,146,535	3,436,447
Accumulated deficit		(61,263,220)	(39,570,086)
Accumulated other comprehensive income		21,066	11,749
Equity attributable to owners of the Company		**(3,626,709)**	**12,593,519**
Non-controlling interest	16	(4,014,100)	(1,452,685)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(7,640,809)**	**11,140,834**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**19,538,766**	**36,630,154**

Corporate information and continuance of operations	1
Commitments	22
Segmented information	24
Subsequent events	1, 2, 17

These audited consolidated financial statements were approved for issue on April 24, 2024 by the Board of Directors and signed on its behalf by:

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

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

	Note(s)	For the years ended December 31, 2023 $	December 31, 2022 $
Revenue	**18**	**79,855,542**	**65,413,832**
Cost of goods sold		**(32,991,307)**	**(20,852,896)**
Gross profit		**46,864,235**	**44,560,936**
Expenses			
Amortization	7	3,763,662	4,660,809
Consulting fees		-	127,595
Customer service support		4,578,922	2,381,241
Depreciation		10,961	74,029
General and administrative expenses		2,247,318	1,625,814
Impairment of accounts receivable	4	150,533	136,754
Impairment of inventories	6	67,341	150,000
Marketing expenses		39,012,968	34,317,567
Professional fees		1,422,292	1,991,708
Regulatory and filing fees		67,251	203,769
Salaries and wages	21	4,203,772	4,366,009
Share-based payments	21	1,989,519	4,301,869
Travel and entertainment		42,435	119,688
Total expenses		**(57,556,974)**	**(54,456,852)**
Loss before other income (expenses)		**(10,692,739)**	**(9,895,916)**
Other income (expenses)			
Acquisition-related costs		-	(476,446)
Fair value adjustment of derivative liability	15	166,260	116,062
Finance income		5,928	185
Finance costs	19	(2,251,145)	(1,398,344)
Foreign exchange loss		(240,440)	(129,007)
Gain on disposition of subsidiary	17	10,591	-
Gain on remeasurement of warrant liabilities	12	967,968	-
Gain on settlement of the milestone shares		-	428,656
Grant and other assistance		-	336,008
Impairment of goodwill	8	(10,928,429)	-
Impairment of intangible assets	7	(1,024,274)	(1,634,011)
Impairment of plant and equipment		-	(190,278)
Write-off of advance payments	5	(268,269)	(537,774)
Total other income (expenses)		**(13,561,810)**	**(3,484,949)**
Income tax recovery	27	-	1,032,000
Net loss		**(24,254,549)**	**(12,348,865)**

(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2023 $	December 31, 2022 $
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		9,317	12,919
Comprehensive loss		**(24,245,232)**	**(12,335,946)**
Loss and comprehensive loss attributable to:			
Equity holders of the parent	16	(21,683,817)	(12,287,726)
Non-controlling interests	16	(2,561,415)	(48,220)
Total		**(24,245,232)**	**(12,335,946)**
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share)		**(0.32)**	**(0.36)**
Weighted average number of common shares outstanding - basic and diluted		**68,140,105**	**34,504,543**

Simply Better Brands Corp.

Consolidated Statements of Changes in 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 $	TOTAL $	Non-controlling interest $	TOTAL $
Balance as of December 31, 2022		**42,488,379**	**45,411,501**	**235,357**	**3,068,551**	**3,436,447**	**(39,570,086)**	**11,749**	**12,593,519**	**(1,452,685)**	**11,140,834**
Shares issued for cash - private placement	16	28,000,000	5,226,496	-	-	-	-	-	**5,226,496**	-	**5,226,496**
Shares issued for restricted share units	16	1,001,043	2,331,866	-	-	(2,331,866)	-	-	**-**	-	**-**
Share issue costs	16	-	(566,725)	-	-	335,700	-	-	**(231,025)**	-	**(231,025)**
Shares issued for debt settlement	16	148,925	29,380	-	-	-	-	-	**29,380**	-	**29,380**
Shares issued for earn out payments	16	663,374	154,973	-	-	-	-	-	**154,973**	-	**154,973**
Shares issued for services	16	90,236	17,333	-	-	-	-	-	**17,333**	-	**17,333**
Reclassification of grant-date fair value on expired stock options	16	-	-	-	110,959	(110,959)	-	-	**-**	-	**-**
Reclassification of the grant-date fair value of warrant liabilities	12, 16	-	(1,315,424)	-	-	-	-	-	**(1,315,424)**	-	**(1,315,424)**
Reclassified the share subscription received to accounts payable and accrued liabilities		-	-	(235,357)	-	-	-	-	**(235,357)**	-	**(235,357)**
Share-based payments	16	-	-	-	-	1,817,213	-	-	**1,817,213**	-	**1,817,213**
Loss and comprehensive loss		-	-	-	-	-	(21,693,134)	9,317	**(21,683,817)**	(2,561,415)	**(24,245,232)**
Balance as of December 31, 2023		**72,391,957**	**51,289,400**	**-**	**3,179,510**	**3,146,535**	**(61,263,220)**	**21,066**	**(3,626,709)**	**(4,014,100)**	**(7,640,809)**

Simply Better Brands Corp.

Consolidated Statements of Changes in 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	16	10,646,928	2,430,485	-	-	-	-	-	**2,430,485**	-	**2,430,485**
Shares issued for restricted share units	16	309,000	1,402,250	-	-	(1,402,250)	-	-	**-**	-	**-**
Share issue costs	16	-	(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	16	329,443	425,000	-	-	-	-	-	**425,000**	-	**425,000**
Shares issued for conversion of convertible notes	14	283,527	1,025,162	-	-	-	-	-	**1,025,162**	-	**1,025,162**
Shares issued for promissory notes	13	140,351	506,702	-	-	-	-	-	**506,702**	-	**506,702**
Warrants issued for services	16	-	-	-	-	106,675	-	-	**106,675**	-	**106,675**
Reclassification of grant-date fair value on expired stock options	16	-	-	-	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 Cash Flows
(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2023 $	December 31, 2022 $
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(24,254,549)	(12,348,865)
Non-cash finance costs		2,006,375	1,351,054
Acquisition-related costs		-	238,584
Acquisition costs paid by common shares		-	237,862
Amortization		3,763,662	4,660,809
Non-cash debt issuance costs		-	41,035
Deferred income tax recovery		-	(1,032,000)
Depreciation		10,961	74,029
Fair value adjustment of derivative liability		(166,260)	(116,062)
Impairment of goodwill	8	10,928,429	-
Impairment of intangible assets	7	1,024,274	1,634,011
Impairment of inventories	6	67,341	150,000
Impairment of plant and equipment		-	190,278
Impairment of receivable	4	150,533	136,754
Gain on disposition of subsidiary	17	(10,591)	-
Gain on remeasurement of warrant liabilities	12	(967,968)	-
Gain on settlement of the milestone shares		-	(428,656)
Share-based payments		1,989,519	4,301,869
Consulting fees to be paid by shares		-	250,880
Shares issued for services		-	425,000
Warrants issued for services		-	106,675
Write-off of advance payments	5	268,269	537,774
Effects of currency exchange rate changes		11,156	(20,034)
Net changes in non-cash working capital items:			
Accounts receivable		2,100,135	(4,288,044)
Other receivable		5,043	(12,761)
Prepaid expenses		1,441,505	(2,814,333)
Deposits		2,249	8,516
Inventory		(2,676,472)	(1,014,531)
Accounts payable and accrued liabilities		395,970	3,015,741
Deferred revenue		554,984	(49,654)
Cash flow used in operating activities		**(3,355,435)**	**(4,764,069)**
INVESTING ACTIVITIES			
Cash assumed on acquisition, less transaction costs		-	1,811,839
Disposal of a subsidiary, net of cash disposed of		(3,909)	-
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		**(3,909)**	**3,345,717**

(Expressed in United States Dollars)

		For the years ended	
	Note(s)	December 31, 2023 $	December 31, 2022 $
FINANCING ACTIVITIES			
Lease payments		-	(35,350)
Proceeds on issuance of common shares, net of cash share issue costs		4,995,471	2,278,857
Proceeds on issuance of convertible notes, net of cash issuance costs		-	621,305
Proceeds on issuance of promissory notes	13	550,000	1,200,000
Advanced from the revolving credit facilities	10	18,143,123	8,955,843
Repayment of convertible notes	14	(1,725,650)	(553,666)
Repayment to the revolving credit facilities	10	(16,107,970)	(6,348,788)
Repayment of loan payable	11	(807,663)	(337,591)
Repayment of promissory notes	13	(1,720,450)	(4,528,132)
Shares subscribed		-	235,357
Cash flow provided by financing activities		**3,326,861**	**1,487,835**
Effects of exchange rate changes on cash		19,687	38,702
Increase (decrease) in cash		**(12,796)**	**108,185**
Opening cash		**2,343,178**	**2,234,993**
Closing cash		**2,330,382**	**2,343,178**
Supplemental cash flow information	20		

See accompanying notes to these consolidated financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

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

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

The Company is an international omni-channel platform with diversified assets in the 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 consumer product categories including CBD products, plant-based food and beverage, and the pet care and skin care industries. The head office and the registered address of the Company are 206 – 595 Howe Street Vancouver, British Columbia V6C 2T5.

Going Concern

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

As of December 31, 2023, the Company had an accumulated deficit of $61,263,220 (December 31, 2022 – $39,570,086) and a working capital deficit of $12,526,672 (December 31, 2022 – $9,335,718). The Company incurred a net loss of $24,254,549 during the year ended December 31, 2023 (December 31, 2022 – $12,348,865). 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.

Proposed Financings

On April 17, 2024, the Company announced a non-brokered private placement of up to 5,714,285 units of the Company at a price of CA$0.35 per unit, for aggregate gross proceeds of up to CA$2,000,000 (the "Offering"). Each unit will consist of one (1) common share in the capital of the Company and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at an exercise price of CA$0.45 per Share for 24 months following the closing of the Offering.

Financial Reporting and Disclosure during Economic Uncertainty

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

(Expressed in United States Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION

Statement of compliance with IFRS Accounting Standards("IFRS")
These consolidated financial statements of the Company have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board.

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

Basis of preparation
These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation and that are effective on December 31, 2023.

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 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, 2023**	**December 31, 2022**	**Reporting date**
Purekana, LLC ("PureKana")*		USA	50.10%	50.10%	December 31
No B.S. Skincare ("No B.S. Skincare")		USA	82.54%	82.54%	December 31
Nirvana Group LLC ("Nirvana")**		USA	nil	100.00%	December 31
Tru Brands US Corp ("Tru Brands")		USA	100.00%	100.00%	December 31
Tru Brands Snack Company ("TBS")		Canada	100.00%	100.00%	December 31
Crisp Management Group Inc. ("CMG")***		USA	60%	60%	December 31
Hervé Edibles Limited ("Hervé")	3	Canada	100.00%	100.00%	December 31
Delysees Luxury Desserts ("Delysees")	3	USA	100.00%	100.00%	December 31
The French Dessert Company ("TFDC")	3	USA	100.00%	100.00%	December 31
The BRN Group Inc. ("BRN")	3	USA	100.00%	100.00%	December 31
BRN Brands	3	USA	100.00%	100.00%	December 31
Redemption Group LLC ("RG")	3	USA	100.00%	100.00%	December 31

* PureKana filed a bankruptcy proceeding under Chapter 7 of the Bankruptcy Code of the United States on April 3, 2024.
**Nirvana was voluntarily dissolved on December 11, 2023 (Note 17).
***CMG was voluntarily dissolved on February 7, 2024 (Note 17).

- **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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (continued)

- **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.

- **Determination of going concern**

  The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

- **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, except for TBS and Hervé, are the United States dollar (“$”, “US$” or “US dollar”) as this is the currency of the primary economic environment in which the Company operates. The functional currency of TBS and Hervé is determined as the Canadian dollar (“CA$”).

- **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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Critical accounting judgements, estimates and assumptions (continued)

- **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.

- **Impairment**
  Goodwill and indefinite life intangible asset impairment testing 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 five CGUs. 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Critical accounting judgements, estimates and assumptions (continued)

- **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.

Material Accounting Policy Information

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.

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. Any change in fair value is recognized through profit and loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (continued)

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.

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 base

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (continued)

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.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing profit or loss from continuing operations attributable to ordinary equity holders of parent entity by 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (continued)

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.

- 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (continued)

Financial instruments (continued)

Financial assets (continued)

- Impairment of financial assets at amortized cost (continued)
  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.

- 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 profit or loss. 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 percent 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.

  Refer to Note 26 for further disclosures.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (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 the functional currency (US$) 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 the presentation currency (US$) using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into the presentation currency (US$) 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. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (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.

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. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

Material Accounting Policy Information (continued)

New accounting standards

The following amendments have been effective for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

Definition of Accounting Estimates (Amendments to IAS 8) – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company concludes that the effect of such amendments did not have a material impact and therefore did not record any adjustments to the financial statements.

New accounting standards issued and not yet effective

The following IFRS pronouncements that are mandatory for accounting years beginning on or after January 1, 2024 have been issued. The Company anticipates that the application of this new standard will have no material impact on its results and financial position.

Classification of Liabilities as Current or Non-Current – The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

3. BUSINESS COMBINATION

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 Hervé'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.

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.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

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

The total consideration of $6,842,845 have been 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.

Hervé 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")

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.

$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.

(Expressed in United States Dollars)

3. BUSINESS COMBINATION (CONTINUED)

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

The total consideration of $10,000,000 have been 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, 2023 and 2022:

	Total $	Neither past due nor impaired $	< 90 days $	91 - 181 days $	>180 days $
December 31, 2023	2,367,447	1,662,889	654,396	50,162	-
December 31, 2022	4,616,267	3,990,603	552,522	73,142	-

As at December 31, 2032 and 2022, accounts receivable were comprised of amounts from credit card processors for sales online sales and amounts due from retailers. The majority of the balances as of December 31, 2023 and 2022 were collected subsequent to December 31, 2023 and 2022, respectively.

During the years ended December 31, 2023 and 2022, the Company recognized an impairment of receivable of $150,533 and $136,754, respectively.

5. PREPAID EXPENSES AND OTHERS

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

During the year ended December 31, 2023, the Company recognized a write-off of advance payments made to certain service providers and vendors with an amount of $268,269. This amount was recognized in the statement of loss and comprehensive loss during the year ended December 31, 2023 (December 31, 2022 – $537,774).

6. 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, 2023, the Company recognized $67,341 impairment of inventories in the statement of loss and comprehensive loss for obsolete inventories (December 31, 2022 – $150,000).

(Expressed in United States Dollars)

7. INTANGBILE ASSETS

	Customer Base $	Trademark $	Website development costs $	Total $
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**
COST				
As of December 31, 2022	1,902,000	8,380,858	323,400	**10,606,258**
Impairment	-	(5,151,797)	(323,400)	**(5,475,197)**
As of December 31, 2023	**1,902,000**	**3,229,061**	**-**	**5,131,061**
ACCUMULATED AMORTIZATION				
As of December 31, 2022	(633,996)	(3,610,493)	(40,425)	**(4,284,914)**
Amortization	(633,996)	(2,967,966)	(161,700)	**(3,763,662)**
Impairment	-	4,248,798	202,125	**4,450,923**
As of December 31, 2023	**(1,267,992)**	**(2,329,661)**	**-**	**(3,597,653)**
Net book value as of December 31, 2023	**634,008**	**899,400**	**-**	**1,533,408**

<u>During the year ended December 31, 2023</u>

- The Company recognized amortization expenses of $3,763,662.
- The Company impaired the website development costs with an amount of $121,275.
- The Company impaired the trademark with an amount of $902,999.

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

- The Company recognized amortization expenses of $4,660,809.
- The Company impaired the trademark acquired through the acquisition of Hervé 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. GOODWILL

	December 31, 2023 $	December 31, 2022 $
Opening	**14,830,827**	**5,237,161**
Additions through a business acquisition (Note 3)		
- Hervé	-	4,184,139
- BRN	-	5,409,527
Impairment	(10,928,429)	-
Closing	**3,902,398**	**14,830,827**

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.

As of December 31, 2023, the Company identified the following CGUs to which goodwill and/or indefinite life intangible assets have been allocated, each of which has been tested for impairment:

- **Cannabis Candy** includes the Company's subsidiary Hervé Edibles Ltd. and it provides confectionery food products to the Hemp and Cannabis industries.
- **Hemp** includes two of its subsidiaries - Purekana and RG which provide hemp derived products to the consumer market in the United States primarily through ecommerce.
- **Protein Bar** includes its subsidiary Tru Brands and TBS that provides protein bars in the North America markets through both online and through retailers.
- **Skincare** includes the Company's subsidiary No BS Skincare which provides skin care products primarily in the United States through retailers as well as through ecommerce.

As of December 31, 2022, the Company has one CGU focusing on consumer product categories including plant-based food, clean ingredient skincare and plant-based wellness and distributes its products through ecommerce as well as through retailers. The subsidiaries operating under this CGU include Purekana, Tru Brands, TBS, No BS Skincare, RG and Hervé. The Company identified this CGU to which goodwill and/or indefinite life intangible assets have been allocated.

For impairment tests performed as at December 31, 2023 and December 31, 2022, the recoverable amount of each CGU was determined based on its value-in-use using a discounted cash flow approach. Discounted cash flows were based on five-year cash flow projections derived from financial budgets or forecasts approved by management using the following key assumptions:

- ***Average annual revenue growth rate***: The average annual revenue growth rate for each CGU was estimated based on historical growth and management's expectations of market development.

- ***Discount rate***: The discount rate for each CGU was determined by estimating a weighted average cost of capital reflecting the time value of money and risks associated with the business.

- ***Terminal growth rate:*** The terminal growth rate is based on management's current assessment of the long-term growth outlook for each CGU and expected economic conditions in the jurisdiction in which it operates.

(Expressed in United States Dollars)

8. GOODWILL (CONTINUED)

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.

Impairment tests as at December 31, 2023

The carrying values of goodwill and indefinite life intangible assets as well as key assumptions used for each CGU for the impairment tests performed as at December 31, 2023 were as follows:

	Recoverable amount	Carrying value of CGU	Carrying value of goodwill in CGU	Carrying value of intangible assets in CGU	Average annual revenue growth rate	Discount rate	Terminal growth rate
	$	$	$	$	%	%	%
Cannabis Candy	-	4,313,655	4,184,139	190,002	N/A	N/A	N/A
Hemp	-	6,048,249	5,409,527	466,669	(8.57%)	18.50%	3.00%
Protein Bar	21,100,000	11,546,724	3,902,398	1,533,408	33.10%	21.50%	3.00%
Skincare	-	3,054,452	1,334,763	246,328	10.93%	20.00%	3.00%

- **Cannabis Candy**
  The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of intangible assets and goodwill of $190,002 and $4,184,139 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023. The impairment is mainly due to the loss of a major customer and the bankruptcy of a major distributor.

- **Hemp**
  The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of intangible assets and goodwill of $466,669 and $5,409,527 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023. The impairment is mainly due to the material losses incurred during the year ended December 31, 2023, and the bankruptcy proceeding filed for PureKana subsequent to year end (Note 2).

- **Protein Bar**
  The estimated recoverable amount exceeded the carrying amount by $9,653,276; as a result, no impairment was recognized during the year ended December 31, 2023.

  For the impairment tests performed as at December 31, 2023, the Company determined a reasonably possible change in key assumptions, terminal value and discount rate, including possible consequential changes between key assumptions, would not result in impairment loss.

- **Skincare**
  The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of intangible assets and goodwill of $246,328 and $1,334,763 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023. The impairment is mainly due to the materially lower sales than forecasted.

(Expressed in United States Dollars)

8. GOODWILL (CONTINUED)

Impairment tests as at December 31, 2022

The value-in-use of the CGU was estimated using discounted cash flow forecasts with an after-tax discount rate of 15.5%. 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.

Cash flows were projected based on past experience, actual operating results and the five-year business plan including an average annual growth rate of 15.5% and a terminal growth rate of 3%.

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023 $	December 31, 2022 $
Accounts payable	6,040,360	4,920,402
Direct deposit payable and credit card	509,684	431,612
Sales tax payable	240,433	770,371
	6,790,477	**6,122,385**

10. AMOUNT DUE TO THE REVOLVING CREDIT FACILITIES

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

The No B.S. Credit Facility #1

	December 31, 2023 $	December 31, 2022 $
Opening	-	-
Addition	680,000	655,000
Finance costs	28,252	33,228
Repayments	(420,510)	(688,228)
Ending	**287,742**	-

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

(Expressed in United States Dollars)

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

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

The No B.S. Credit Facility #2

During the year ended December 31, 2023, the Company, through its subsidiary No B.S., entered into a receivable purchase agreement (the "No B.S. Factoring Facility") with a credit facility of $500,000 for one year. The No B.S. Factoring Facility offered to factor 80% of the payable amount (the "Factored Amount") with a fee of 0.15% of the Factored Amount and a daily discount rate of 0.05% (collectively the "Facility Fees"). The Factored Amount is required to be repaid not less than 150 days from the date of factoring.

During the year ended December 31, 2023, the Company received $463,123 from the No B.S. Factoring Facility and incurred the Facility Fees of $34,697.

As of December 31, the balance of the No B.S. Factoring Facility was $497,820 (December 31, 2022 – $nil).

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

The TB Credit Facility #1

	December 31, 2023 $	December 31, 2022 $
As of December 31, 2022	3,909,772	1,450,319
Addition	17,000,000	7,490,000
Interest	627,282	206,846
Repayment	(15,275,000)	(5,237,393)
As of December 31, 2023	**6,262,054**	**3,909,772**

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.

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

The TB Credit Facility #2

	December 31, 2023 $	December 31, 2022 $
As of December 31, 2022	409,568	-
Addition	-	700,000
Interest	2,892	22,762
Repayment	(412,460)	(313,194)
As of December 31, 2023	**-**	**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.

(Expressed in United States Dollars)

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

- **Hervé Edibles Limited**

	$
Initial recognition	110,843
Interest	4,654
Repayment	(109,973)
Effect of movements on exchange rates	(5,524)
December 31, 2023 and 2022	-

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.

11. LOAN PAYABLE

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

From and after the PKL Funding Date until and including the PKL Maturity Date, the PK Loan bears an interest rate of 3-month Secured Overnight Financing Rate (the “SOFR”) determined as of the PKL Funding Date and as will adjust at each calendar quarter thereafter, plus 3.00% (the “FF Interest Rate”).

Pursuant to the PK Loan, Purekana is required to set aside $325,000 as interest reserve. The amount is classified as restricted cash.

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

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

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

1) Subsequent to December 31, 2023, $325,000 of restricted cash held in conjunction with the loan was applied against the interest of $1,547,490 due on December 11, 2023. Purekana is currently in discussions with the financial institution to restructure that loan payment schedule of the remaining balance ($1,222,490).

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

(Expressed in United States Dollars)

11. LOAN PAYABLE

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.

The changes of the PK Loan during the years ended December 31, 2023 and 2022, are as follows:

	December 31, 2023	December 31, 2022
	$	$
As of December 31, 2022	10,314,840	10,108,357
Interest	897,751	544,074
Repayment	(807,663)	(337,591)
As of December 31, 2023	**10,404,928**	**10,314,840**

As discussed in Note 2, PureKana filed a bankruptcy proceeding under Chapter 7 of the Bankruptcy Code of the United States on April 3, 2024.

12. WARRANT LIABILITIES

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

	Number outstanding	Fair value of warrant derivative ($)
As of December 31, 2022 and 2021	-	-
Issued	14,000,000	1,315,424
Change in fair value	-	(967,968)
As of December 31, 2023	**14,000,000**	**347,456**

In connection with the private placement completed during the year ended December 31, 2023, the Company issued 14,000,000 share purchase warrants (the "2023 Warrants") (Note 16).

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

(Expressed in United States Dollars)

12. WARRANT LIABILITIES (CONTINUED)

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

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

The fair value of the 2023 Warrants was revalued as of December 31, 2023 using the Black-Scholes option pricing model with the following assumptions:

- Stock price CA$0.22
- Risk free interest rate 3.91%
- Expected volatility 83%
- Expected life (in years) 1.1
- Forfeiture rate nil
- Expected dividend nil
- Exchange rate (CA$ to US$) 0.75

As a result of the revaluation, the Company recognized a gain on remeasurement of warrant liability of $967,968 in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023.

The following summarizes information about warrant derivative outstanding as of December 31, 2023:

Expiry date	Exercise price (CA$)	Warrants outstanding	Fair Value of Warrant Derivative ($)	Weighted average remaining contractual life (in years)
February 14, 2025	0.45	10,010,000	248,392	1.13
February 21, 2025	0.45	3,990,000	99,064	1.15
		14,000,000	**347,456**	**1.14**
Weighted average exercise price (CA$)		**0.45**		

(Expressed in United States Dollars)

13. PROMISSORY NOTES

	December 31, 2023 $	December 31, 2022 $
Opening	2,420,316	5,934,543
Addition	550,000	1,200,000
Interest	208,862	320,607
Repayment	(1,720,450)	(4,528,132)
Conversion	-	(506,702)
Ending	**1,458,728**	**2,420,316**
Current	906,337	1,793,119
Long-term	552,391	627,197
Ending	**1,458,728**	**2,420,316**

<u>During the year ended December 31, 2023</u>

- During the year ended December 31, 2022, the Company entered into a loan agreement (the "PN#1") with an amount of $1,000,000 of which $100,000 was received during the year ended December 31, 2023. The term of PN#1 was amended on November 17, 2023. Under the amended term, the Company is required to make monthly interest payments. The remaining principal of $744,128 will be paid by three installments as follows:

    - $300,000 in November 2024;
    - $333,096 in November 2025; and
    - $111,032 in April 2026.

    In connection with the amendment, the Company is required to pay $75,000 restructuring fees, which were capitalized as promissory notes at the date of the amendment. The restructuring fees will be paid evenly throughout the 12 months from the date of the amendment.

- On November 17, 2023, the Company entered into a loan agreement with an amount of $700,000 of which $250,000 was received subsequent to December 31, 2023 (the "PN#2"). The loan bears 15% interest per annum and will be repaid over 24-months. The Company is required to make monthly interest payments. The principal payment of $500,000 as of December 31, 2023 will be paid by two installments as follows:

    - $350,000 payable on November 17, 2024; and
    - $350,000 payable on November 17, 2025.

    In connection with this financing, the Company is required to pay $50,000 origination fee, which were capitalized as promissory notes. The restructuring fees will be paid evenly throughout the 12 months from the date of the financing.

- The Company repaid the promissory notes of $1,720,450.

(Expressed in United States Dollars)

13. PROMISSORY NOTES (CONTINUED)

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

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

- The Company made a payment of $3,610,650 to the promissory notes issued in connection with the acquisition of PureKana on December 4, 2020. In addition, the Company entered into an agreement to settle the remaining 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 “PN#1”). The loan bears 15% interest per annum and will be repaid over 42-months.

14. CONVERTIBLE NOTES

	December 31, 2023 $	December 31, 2022 $
Opening	2,100,303	3,135,054
Initial recognition	-	371,156
Interest	206,639	217,289
Repayment	(1,725,650)	(553,666)
Conversion	-	(1,025,162)
Interest payable transferred to accounts payable and accrued liabilities	(62,938)	(24,334)
Effect of movements on exchange rates	11,156	(20,034)
Ending	**529,510**	**2,100,303**
Current	529,510	1,711,223
Long-term	-	389,080
Ending	**529,510**	**2,100,303**

14. CONVERTIBLE NOTES (CONTINUED)

<u>During the year ended December 31, 2023</u>

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

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

- Convertible notes with a principal value of $1,021,850 including outstanding interest were converted into 283,527 common shares (Note 16); as a result of conversion, the Company reclassified the carrying value of the converted convertible notes of $1,025,162 to share capital.

- The Company repaid the convertible notes with a principal value of $530,100 plus outstanding interest of $23,565.

- The Company issued CA$850,000 ($661,950) 2-year 10% unsecured convertible notes. Interest is payable on each calendar-quarter-end date until maturity (the "Interest Due Date"). Subject to the approval of the Exchange, the outstanding interest may be converted into common shares at the higher of (i) the 15-trading day VWAP on each such applicable payment date or (ii) the market price of the common shares. The convertible notes are convertible at the election of the holder into one common share and a one-half common share purchase warrant for each common share exercisable at CA$0.59 at a conversion price of CA$0.39 per common share. The Company may force the conversion of the convertible notes in the event the VWAP of the common shares on the Exchange is greater than CA$1.00 for any five (5) consecutive trading days.

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

  For accounting purposes, the Company calculated the fair value of the 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.

(Expressed in United States Dollars)

15. DERIVATIVE LIABILITY

As discussed in Note 14, the Company issued CA$850,000 ($661,950) 2-year 10% unsecured convertible notes. The Company determined that it had an obligation to the convertible notes' holders, that met the definition of derivative liability, such that the number of common shares of the Company issued upon the conversion would depend on the market price of the common shares of the Company and the foreign exchange rate between US$ 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 over two years by the effective interest rate method.

As of December 31, 2023, the Company remeasured the fair value of the derivative liability ($8,862) using the Black-Scholes option pricing model with the following assumptions:

-	Stock price	CA$0.22
-	Risk free interest rate	3.91%
-	Expected volatility	59%
-	Expected life (in years)	0.61
-	Forfeiture rate	nil
-	Expected dividend	10%
-	Exchange rate (CA$ to US$)	0.75

As a result of the revaluation, the Company recognized a gain on remeasurement of derivative liability of $166,260 in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2023 (December 31, 2022 – $116,062).

As of December 31, 2023 and 2022, the fair value of the derivative liability was $8,862 and $175,122, respectively.

16. SHARE CAPITAL

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

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

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

Issued share capital
As of December 31, 2023, the Company had 72,391,957 common shares (December 31, 2022 – 42,488,379) common shares issued and outstanding.

During the year ended December 31, 2023

- The Company completed a private placement of 28,000,000 units ("2023 Units") at a price of CA$0.25 for gross proceeds of $5,226,496 (CA$7,000,000). Each 2023 Unit consists of one common share with an allocated fair value of $0.14 and one-half of one common share purchase warrant with an allocated fair value of $0.09 per whole warrant. Each whole warrant ("2023 Warrants") entitles its holder to purchase one additional common share at an exercise price of CA$0.45 for a period of two years following the closing of the private placement. The 2023 Warrants were classified as a financial liability (Note 12).

  In connection with the private placement, the Company paid a finders' fee of $334,765 (CA$449,400) and issued 1,797,600 non-transferable finders warrants with a fair value of $335,700 and recorded these values as share issuance costs (collectively the "2023 Finders' Fees"). Each finder's warrant (each a "Unit") entitles the holder to purchase one common share (each a "Warrant Share") and one-half of one common share purchase warrant (each whole warrant a "Unit Warrant") at an exercise price of CA$0.25 per Unit until the expiry date. Each Unit Warrant entitles the holder to purchase one common share at an exercise price of CA$0.45 per Warrant Share until the expiry date. Each Unit and Unit Warrant are exercisable for 2 years.

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

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

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

- The Company issued 663,374 common shares with a fair value of $154,973 pursuant to the Earnout Agreement (Note 22). This amount was recognized as share-based payments in the statements of loss and comprehensive loss.

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

16. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

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 14, 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 13, 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.

- 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 brand ambassador agreement the Company entered into through No B.S. on March 31, 2022.

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

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

Equity Warrants

The changes in warrants during the years ended December 31, 2023 and 2022 are as follows:

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

Expiry date	Exercise price (CA$)	Warrants outstanding	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
November 14, 2024	0.55	500,000	106,675	0.87
February 14, 2025	0.25	1,352,400	253,353	1.13
February 21, 2025	0.25	445,200	82,347	1.15
		2,297,600	**442,375**	**1.07**
Weighted average exercise price (CA$)		**0.32**		

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

In addition to the outstanding warrants as of December 31, 2023, the outstanding convertible notes with a principal amount of CA$850,000 are convertible at the election of the holder into one common share and a one-half common share purchase warrant for each common share exercisable at CA$0.59 at a conversion price of CA$0.39 per common share (Note 14).

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 stock options, Restricted Share Units ("RSU") and Deferred Share Units (the "DSU"). The Incentive Plan is administered by the Board of Directors, which sets the terms of incentive awards under the Incentive Plan. The maximum number of common shares available for issuance under the Incentive Plan is limited to 10% of the Company's outstanding common shares at any one time.

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

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

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

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

- **Stock options**

The changes in stock options during the years December 31, 2023 and 2022, are as follows:

	December 31, 2023		December 31, 2022	
	Number outstanding	Weighted average exercise price (CA$)	Number outstanding	Weighted average exercise price (CA$)
As of December 31, 2022	616,000	3.74	1,351,030	5.70
Granted	775,000	0.27	242,000	0.72
Cancelled	(34,668)	5.70	(932,030)	5.70
Forfeited	(84,332)	3.62	(45,000)	5.70
As of December 31, 2023	**1,272,000**	**1.58**	**616,000**	**3.74**

During the year ended December 31, 2023

- On January 23, 2023, the Company granted 425,000 options with an exercise price of CA$0.27 to the Company's CFO. The options are exercisable for a period of five years. One-fourth vest will vest every six months thereafter.
- On January 23, 2023, the Company granted 350,000 options with an exercise price of CA$0.27 to its employees and consultants of the Company. The options are exercisable for a period of five years. One-third vest will vest every anniversary thereafter.
- 34,668 options cancelled and 84,332 options forfeited.

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)

16. SHARE CAPITAL (CONTINUED)

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

- **Stock options (continued)**

The estimated grant date fair value of the options granted during the year ended December 31, 2023 was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended	
	December 31, 2023	**December 31, 2022**
Number of options granted	775,000	242,000
Risk-free interest rate	3.09%	2.79%
Expected annual volatility	90%	89%
Expected life (in years)	5	5
Expected dividend yield	-	-
Grant date fair value per option (CA$)	0.19	0.49
Share price at grant date (CA$)	0.27	0.72

During the year ended December 31, 2023, the Company recognized share-based payments expense of $208,247 (December 31, 2022 – 1,684,566) arising from the stock options.

The following summarizes information about stock options outstanding and exercisable as at December 31, 2023:

Expiry date	Exercise price (CA$)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
July 26, 2026	5.70	288,000	192,001	921,777	2.57
February 23, 2027	5.70	15,000	5,000	39,255	3.15
August 4, 2027	0.39	194,000	64,672	49,356	3.59
January 23, 2028	0.27	775,000	106,250	111,218	4.07
		1,272,000	**367,923**	**1,121,606**	**3.64**
Weighted average exercise price (CA$)		**1.58**	**3.20**		

- **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.

16. SHARE CAPITAL (CONTINUED)

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

- **RSU (continued)**

During the year ended December 31, 2023

- On January 23, 2023, the Company issued 925,000 RSUs with fair value of $186,852 to the Company's CEO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- On March 15, 2023, the Company issued 150,000 RSUs with fair value of $33,452 to the Company's director. One-fourth will vest every six months thereafter.
- On May 12, 2023, the Company issued 2,070,000 RSUs with fair value of $658,260 to the Company's CEO, CFO and directors. One-fourth vest on date of grant and one-fourth will vest every six months thereafter.
- The Company issued 1,001,043 common shares for the RSUs.
- 3,803 RSUs forfeited.

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, 2023, the Company recognized share-based payments expense of $1,608,966 (December 31, 2022 – $2,617,303) arising from the RSUs.

As of December 31, 2023, the Company had 4,001,089 RSUs (December 31, 2022 – 2,785,935) issued and outstanding.

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

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

Non-controlling interest ("NCI")

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

The ownership interest held by the NCI as of December 31, 2023 is as follows:

- Purekana 49.90% (December 31, 2022 – 49.90%);
- No B.S. Skincare 17.46% (December 31, 2022 – 17.46%); and
- CMG* 40.00% (December 31, 2022 – 40%).

______
*CMG was voluntarily dissolved on February 7, 2024.

The following schedule shows the effects of the changes in NCI during the years ended December 31, 2023 and 2022:

	December 31, 2023 $	December 31, 2022 $
Beginning of year	(1,452,685)	(1,404,465)
Share of loss	(2,561,415)	(48,220)
End of year	**(4,014,100)**	**(1,452,685)**

No dividends were paid to the NCI during the years ended December 31, 2023 and 2022.

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

PureKana

As of:	December 31, 2023 $	December 31, 2022 $
Current assets	6,860,054	8,282,079
Non-current assets	2,609,192	3,217,167
TOTAL ASSETS	**9,469,246**	**11,499,246**
Current liabilities	(16,453,393)	(12,851,396)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(16,453,393)**	**(12,851,396)**
Equity attributable to owners of the parent	**(3,499,056)**	**(677,427)**
Non-controlling interests	**(3,485,091)**	**(674,723)**

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

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

PureKana (continued)

For the years ended	December 31, 2023 $	December 31, 2022 $
Revenue	48,573,661	50,310,098
Net income (loss)	(5,631,993)	58,182
Income (loss) and comprehensive income (loss)	(5,631,993)	58,182
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(2,821,628)**	**29,149**
Non-controlling interests	**(2,810,365)**	**29,033**
Cash flow provided by (used in) operating activities	375,924	821,562
Cash flow provided by (used in) investing activities	-	(323,400)
Cash flow provided by (used in) financing activities	(807,663)	(372,941)
Net cash flow	**(431,739)**	**125,221**

No B.S. Skincare

As of:	December 31, 2023 $	December 31, 2022 $
Current assets	3,319,659	543,846
Non-current assets	-	2,249
TOTAL ASSETS	**3,319,659**	**546,095**
Current liabilities	(3,911,410)	(982,179)
Non-current liabilities	-	-
TOTAL LIABILITIES	**(3,911,410)**	**(982,179)**
Equity attributable to owners of the parent	**(488,401)**	**(359,922)**
Non-controlling interests	**(103,350)**	**(76,162)**

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

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

No B.S. Skincare (continued)

For the years ended	December 31, 2023 $	December 31, 2022 $
Revenue	2,058,203	2,145,622
Net income (loss)	(155,666)	(442,331)
Income (loss) and comprehensive income (loss)	(155,666)	(442,331)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**(128,479)**	**(365,078)**
Non-controlling interests	**(27,187)**	**(77,253)**
Cash flow provided by (used in) operating activities	(686,916)	(6,211)
Cash flow provided by (used in) investing activities	-	-
Cash flow provided by (used in) financing activities	722,613	(33,228)
Net cash flow	**35,697**	**(39,439)**

CMG

As of:	December 31, 2023 $	December 31, 2022 $
Current assets	-	3,909
Non-current assets	-	-
TOTAL ASSETS	**-**	**3,909**
Current liabilities	-	(14,500)
Non-current liabilities	-	-
TOTAL LIABILITIES	**-**	**(14,500)**
Equity attributable to owners of the parent	**-**	**(6,355)**
Non-controlling interests	**-**	**(4,236)**

For the years ended	December 31, 2023 $	December 31, 2022 $
Revenue	-	-
Net income (loss)	-	(105,949)
Income (loss) and comprehensive income (loss)	-	(105,949)
Income (loss) and comprehensive income (loss) attributable to:		
Equity holders of the parent	**-**	**(63,569)**
Non-controlling interests	**-**	**(42,380)**
Cash flow provided by (used in) operating activities	-	(597)
Cash flow provided by (used in) investing activities	-	-
Cash flow provided by (used in) financing activities	-	-
Net cash flow	**-**	**(597)**

(Expressed in United States Dollars)

16. SHARE CAPITAL (CONTINUED)

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.

17. DISPOSITION OF SUBSIDIARY

During the year ended December 31, 2023, the Company filed a notice with the State of Florida to voluntarily dissolve Nirvana, effective December 11, 2023. As a result of the dissolution, the Company recognized a gain of disposition of subsidiary of $10,591, during the year ended December 31, 2023 (December 31, 2022 – $nil).

Subsequent to December 31, 2023, the Company filed a notice with the State of Florida to voluntarily dissolve CMG, effective February 7, 2024.

18. REVENUE

	For the years ended	
	December 31, 2023	**December 31, 2022**
	$	**$**
Gross revenue	**82,744,440**	**65,413,832**
Less: Vendor discount	(2,888,898)	-
Net revenue	**79,855,542**	**65,413,832**

During the year ended December 31, 2023, the Company, through its subsidiary, Tru Brands, entered into a marketing program with one of its vendors and incurred a vendor discount of $2,888,989. Pursuant to IFRS 15 "Revenue from contracts with customers", discounts and certain promotional expenditures are recorded as a reduction of revenue instead of classifying as selling and marketing expenses; as a result, the Company reduced the vendor discount of $2,888,989 against the gross revenue of $82,744,440 during the year ended December 31, 2023.

(Expressed in United States Dollars)

19. FINANCE COSTS

	For the years ended	
	December 31, 2023	**December 31, 2022**
	$	**$**
Accretion of interest of convertible notes	206,639	217,289
Accretion of interest of lease obligation	-	1,594
Accretion of interest of loan payable	897,751	811,564
Accretion of interest of promissory notes	208,862	320,607
Interest on the revolving credit facilities	693,183	-
Debt issuance costs	-	41,035
Share issuance costs allocated to warrant liability	190,609	-
Others	54,101	6,255
	2,251,145	**1,398,344**

20. SUPPLEMENTAL CASH FLOW INFORMATION

		For the years ended	
		December 31, 2023	**December 31, 2022**
		$	**$**
Fair value of finders' warrants	16	335,700	-
Fair value of milestone shares issued	16	-	71,215
Initial recognition of provision		-	499,871
Interest payable transferred to accounts payable and accrued liabilities	14	62,938	24,334
Reclassification of fair value of derivative liability related to the convertible notes		-	291,184
Reclassification of grant-date fair value on expired stock options	16	110,959	2,983,056
Reclassification of the grant-date fair value of warrant liabilities	12	1,315,424	-
Reclassified the share subscription received to accounts payable and accrued liabilities		235,357	-
Shares issued for acquisition	16	-	16,342,974
Shares issued for conversion of convertible notes	14	-	1,025,162
Shares issued for debt settlement	16	29,380	-
Shares issued for promissory notes	16	-	506,702
Shares issued for restricted share units	16	2,331,866	1,402,250
Cash paid for income taxes		-	337,591
Cash paid for interest		1,830,484	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, 2023, the key management compensation was:

- Salaries and benefits – $887,148 (December 31, 2022 – $519,616)
- Consulting fees – $25,933 (December 31, 2022 – $nil)
- Share-based payments – $1,596,705 (December 31, 2022 – $3,517,609)

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, 2023

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

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

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

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 options and RSUs will amortize over the vesting period.

As at December 31, 2023, the balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $223,993 (December 31, 2022 – $nil). These amounts are unsecured, non-interest bearing and payable on demand.

(Expressed in United States Dollars)

22. COMMITMENTS

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

Under the terms of the Earnout Agreement, the Company will make an initial payment of $186,790 (CA$250,000) in common shares of the Company, at a price per share CA$0.32. The Company may also make 12 bi-monthly earnout payments in the amount of $140,093 (CA$187,500), if the Brand achieves certain sales targets set out in the Earnout Agreement (the "Earnout Payments"). Sales in the Earnout Agreement related to the milestone payments over 24 months total $14.98 million (approximately CA$20 million). The Earnout Payments are payable in cash or common shares, at a price per common share equal to the higher of (i) the five-day VWAP of the common shares on the TSXV, or (ii) CA$0.32. SBBC may issue up to a maximum of $2,250,000 in cash or common shares, at the Company's discretion, over a 2-year period pursuant to the Earnout Payments.

During the year ended December 31, 2023, the Company issued 663,374 common shares as Earnout Payments (December 31, 2022 – nil). As of December 31, 2023, the estimated fair value of the commitments is $nil as Vibez was closed down during the year ended December 31, 2023.

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.

During the years ended December 31, 2023 and 2022, 3 vendors represented more than 75% of the Company's inventory purchases, respectively.

During the year ended December 31, 2023, 27% of sales were made to one customer (December 31, 2022 – none). Other than that, no other customers made up more than 10% of sales during the years ended December 31, 2023, and 2022.

The breakdown of sales by products during the years ended December 31, 2023 and 2023 was as follows:

	December 31, 2023 ($)	December 31, 2022 ($)
Cannabidiol ("CBD")	53,493,147	52,612,656
Protein Bar	24,304,192	10,655,554
Beauty products	2,058,203	2,145,622
	79,855,542	**65,413,832**

(Expressed in United States Dollars)

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, 2023. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 11. As of December 31, 2023, 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, 2023	FVTPL	Amortized costs	FVTOCI
	$	$	$	$
FINANCIAL ASSETS				
ASSETS				
Cash	2,330,382	-	2,330,382	-
Restricted cash	325,000	-	325,000	-
Accounts receivable	2,367,447	-	2,367,447	-
Other receivable	129,468	-	129,468	-
Deposits	1,534	-	1,534	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,790,477)	-	(6,790,477)	-
Derivative liability	(8,862)	(8,862)	-	-
Amount due to the revolving credit facilities	(7,047,616)	-	(7,047,616)	-
Loan payable	(10,404,928)	-	(10,404,928)	-
Current portion of promissory note	(906,337)	-	(906,337)	-
Current portion of convertible notes	(529,510)	-	(529,510)	-
Warrant liabilities	(347,456)	(347,456)	-	-
Promissory note	(552,391)	-	(552,391)	-

(Expressed in United States Dollars)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

	December 31, 2022 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	2,343,178	-	2,343,178	-
Accounts receivable	4,616,267	-	4,616,267	-
Other receivable	134,500	-	134,500	-
Restricted cash	325,000	-	325,000	-
Deposits	3,783	-	3,783	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(6,122,385)	-	(6,122,385)	-
Derivative liability	(175,122)	(175,122)	-	-
Amount due to the revolving credit facilities	(4,319,340)	-	(4,319,340)	-
Loan payable	(10,314,840)	-	(10,314,840)	-
Current portion of promissory note	(1,793,119)	-	(1,793,119)	-
Current portion of convertible notes	(1,711,223)	-	(1,711,223)	-
Promissory note	(627,197)	-	(627,197)	-
Convertible notes	(389,080)	-	(389,080)	-

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, 2023 and 2022 are shown below:

		Estimated fair value		
	December 31, 2023	Level 1 $	Level 2 $	Level 3 $
Derivative liability	(8,862)	-	-	(8,862)
Warrant liabilities	(347,456)	-	-	(347,456)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value (continued)

		Estimated fair value		
	December 31, 2022	Level 1 $	Level 2 $	Level 3 $
Derivative liability	(175,122)	-	-	(175,122)

The financial instrument recorded at fair value on the statement of financial position is derivative liability and warrant liabilities which is measured using Level 3 of the fair value hierarchy. Level 3 inputs for other derivative liability include the use of the Black-Scholes option pricing model. Estimates are made regarding (i) the discount rate used, (ii) the expected life of the instruments, (iii) the volatility of the Company's common shares price which are driven by historical information and the expected dividend yield. Refer to Notes 12 and 15 for further disclosures.

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

Financial risk management

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

Market risk

- Foreign currency risk

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

  As of December 31, 2023, the majority of the Company’s monetary assets and liabilities are denominated in US$; as a result, management believes the currency risk is minimal.

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

- Price risk

  The Company’s derivative liability may be exposed to the price risk as the share price of the Company is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% increase (decrease) in the share price of the Company as of December 31, 2023 would provide insignificant impacts on the fair value of the derivative liability.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

- Interest rate risk

  The Company's interest rate risk principally arises from fluctuations in the SOFR as it relates to the Company's loan payable. A 1% change in the SOFR rate would result in approximately a $100,000 impact on the Company's profit or loss for year ended December 31, 2023. The Company has not entered into any interest rate swaps to mitigate this risk.

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

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. As at December 31, 2023, the Company's credit risk is low as the Company has collected majority of the accounts receivable subsequently.

The Company accounts for credit risk by primarily allocating specific provisions to trade accounts. During the year ended December 31, 2023, the Company transacted with a few new customers for which financial positions deteriorated during the year. The Company has recorded specific provisions related to these customers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of December 31, 2023, the Company had cash of $2,330,382 to meet short-term business requirements. As of December 31, 2023, the Company had current liabilities of $26,627,184 (Note 1 – Going Concern).

(Expressed in United States Dollars)

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	December 31, 2023 $	Less than 1 year $	1 to 2 years $	3 to 5 years $	More than 5 years $
Non-derivative liability					
Accounts payable and accrued liabilities	6,790,477	6,790,477	-	-	-
Amount due to the revolving credit facilities	7,047,616	7,047,616	-	-	-
Loan payable	10,511,161	10,511,161	-	-	-
Promissory note	1,773,504	1,219,002	439,306	115,196	-
Convertible notes	901,874	901,874	-	-	-
		26,470,130	**439,306**	**115,196**	**-**

27. INCOME TAXES

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

	2023 $	2022 $
Loss before income taxes for the year	(24,254,549)	(13,380,865)
Expected income tax (recovery)	(6,549,000)	(3,610,000)
Change in statutory, foreign tax, foreign exchange rates	(883,000)	176,000
Acquisition of subsidiaries	-	(1,264,000)
Permanent differences	3,326,000	1,512,000
Non-controlling interest	780,000	11,000
Adjustment to prior years provision versus statutory tax returns	(2,859,000)	(8,447,000)
Change in unrecognized deferred tax assets	6,185,000	10,590,000
Total income tax expense (recovery)	**-**	**(1,032,000)**

(Expressed in United States Dollars)

27. INCOME TAXES (CONTINUED)

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

	2023 $	2022 $
Deferred tax assets (liabilities)		
Stock-based compensation and other	-	-
Intangible assets	-	(1,433,000)
Convertible notes	(31,000)	(41,000)
Losses available for future periods	31,000	1,474,000
Net deferred tax asset	-	-

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:

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Differences				
Share issue costs	594,000	2044 to 2047	279,000	2043 to 2046
Stock-based compensation and other	5,053,000	No expiry date	6,704,000	No expiry date
Intangible assets	19,813,000	No expiry date	5,734,000	No expiry date
Convertible preferred shares	2,291,000	No expiry date	625,000	No expiry date
Losses available for future periods	46,799,000		37,726,000	
Canada	10,297,000	2041 to 2043	8,117,000	2040 to 2042
USA	36,502,000	No expiry date	29,609,000	No expiry date