HILL INCORPORATED

(FORMERLY HILL STREET BEVERAGE COMPANY INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(Expressed in Canadian dollars)

# Independent Auditor's Report

To the Shareholders of Hill Incorporated (formerly, Hill Street Beverage Company Inc.):

## Opinion

We have audited the consolidated financial statements of Hill Incorporated (formerly, Hill Street Beverage Company Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2024 and June 30, 2023, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2024 and June 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

## 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 matters described below to be the key audit matters to be communicated in our report.

**MNP LLP**
1 Adelaide Street East, Suite 1900, Toronto ON, M5C 2V9 1.877.251.2922 T: 416.596.1711 F: 416.596.7894

*Impairment analysis of intangible assets*

*Key Audit Matter Description*

We draw attention to Notes 2, 3 and 10 to the consolidated financial statements. The Company performs impairment testing for intangible assets when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. In determining the estimated recoverable amounts using a discounted cash flow model, the Company's significant assumptions include future cash flows based on expected operating results, long-term growth rates and the discount rate.

We considered this a key audit matter due to the significant judgment made by management in estimating the recoverable amount for intangible assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

*Audit Response*

We responded to this matter by performing procedures over the impairment of intangible assets. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of management's impairment analysis process;
- Tested the mathematical accuracy of management's impairment model and supporting calculations;
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected operating results, long-term growth rates and the discount rate;
- With the assistance of internal valuation specialists, evaluated the reasonableness of the Company's impairment model, which included evaluating the reasonableness of the discount rates;
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.

## Other Information

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

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

In connection with our audits 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 audits 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 on this other information, 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.

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

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

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

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

MNP LLP

Toronto, Ontario
October 25, 2024

Chartered Professional Accountants
Licensed Public Accountants

**Hill Incorporated (Formerly Hill Street Beverage Company Inc.)**
**Consolidated Statements of Financial Position**
(Expressed in Canadian Dollars)

| | Notes | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | | 66,001 | 1,195,415 |
| Accounts receivable | 6 | 454,785 | 515,955 |
| Inventory | 7 | 139,099 | 14,775 |
| Total current assets | | 659,885 | 1,726,145 |
| Intangible assets | 10 | 2,427,238 | 2,769,837 |
| **TOTAL ASSETS** | | 3,087,123 | 4,495,982 |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 14 | 337,737 | 332,665 |
| Note payable – current | 12 | 68,439 | 107,947 |
| CEBA loan | 12 | - | 60,000 |
| Total current liabilities | | 406,176 | 500,612 |
| Note payable – non-current | 12 | 2,611,794 | 2,361,199 |
| **TOTAL LIABILITIES** | | 3,017,970 | 2,861,811 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 13 | 20,750,566 | 20,660,357 |
| Reserve | 13 | 5,274,295 | 5,304,587 |
| Deficit | | (25,955,708) | (24,330,773) |
| **TOTAL SHAREHOLDERS' EQUITY** | | 69,153 | 1,634,171 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 3,087,123 | 4,495,982 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 21)

"Jack Fraser"
Director

"Craig Binkley"
Director

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

**Hill Incorporated (Formerly Hill Street Beverage Company Inc.)**
**Consolidated Statements of Operations and Comprehensive Loss**
(Expressed in Canadian Dollars)

| For the year ended | Notes | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| | | $ | $ |
| **Gross revenue** | 5 | 2,624,485 | 3,283,806 |
| **Chargebacks & listing fees** | 5 | (416,982) | (399,998) |
| **Net revenue** | | 2,207,503 | 2,883,808 |
| **Cost of sales** | | (866,691) | (1,035,617) |
| **Gross profit** | | 1,340,812 | 1,848,191 |
| | | | |
| **Expenses** | | | |
| Accretion expense | 12 | - | 6,377 |
| Bad debts | 6 | 403,478 | 134,843 |
| Bank charges and interest | | 4,699 | 14,956 |
| Consulting fees | | 98,198 | 41,787 |
| Depreciation | 9/10 | 263,462 | 313,847 |
| Donations, dues & licenses | | 3,043 | 3,961 |
| Filing and transfer agent fees | | 30,515 | 121,685 |
| Insurance | | 131,364 | 270,651 |
| Interest on promissory note | 12 | 233,456 | 236,520 |
| Management fees | 14 | 84,676 | 78,087 |
| Marketing | | (10,210) | 95,485 |
| Office and miscellaneous | | 134,110 | 284,265 |
| Professional fees | | 173,976 | 408,631 |
| Stock-based compensation | 13/14 | 59,917 | 255,794 |
| Travel and meal allowance | | 19,482 | 61,797 |
| Wages and salaries | 14 | 1,027,879 | 901,701 |
| Selling and delivery | | 257,837 | 398,563 |
| | | 2,915,882 | 3,628,950 |
| | | | |
| Loss before other expenses | | (1,575,070) | (1,780,759) |
| | | | |
| **Other income(expenses)** | | | |
| Foreign exchange gain (loss) | | 8,969 | (87,927) |
| Impairment of intangible assets | 10 | (79,137) | (237,195) |
| Impairment of property and equipment | 9 | - | (90,013) |
| Loan forgiveness | 12 | 20,000 | - |
| Gain on sale of assets held for sale | 8 | - | 40,512 |
| Gain on termination of lease | 11 | - | 7,868 |
| Other income | | 303 | 40,312 |
| | | (49,865) | (326,443) |
| | | | |
| **Net loss and comprehensive loss** | | (1,624,935) | (2,107,202) |
| **Basic and diluted loss per common share** | | (0.50) | (0.67) |
| **Weighted average number of common shares outstanding** | | 3,260,819 | 3,121,576 |

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

**Hill Incorporated (Formerly Hill Street Beverage Company Inc.)**
**Consolidated Statements of Changes in Shareholders' Equity**
(Expressed in Canadian Dollars)

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | **Shares** | **Share Capital** | **Reserve** | **Deficit** | **Total** |
| | | $ | $ | $ | $ |
| **As at June 30, 2022** | 2,972,538 | 20,095,633 | 4,884,242 | (22,223,571) | 2,756,304 |
| Units issued for cash (Note 13) | 233,333 | 443,966 | 256,034 | - | 700,000 |
| Share issuance costs | - | (5,225) | - | - | (5,225) |
| Exercise of RSUs (Note 13) | 29,332 | 80,500 | (80,500) | - | - |
| Exercise of warrants (Note 13) | 9,200 | 45,483 | (10,983) | - | 34,500 |
| Stock-based compensation | - | - | 255,794 | - | 255,794 |
| Net loss for the year | - | - | - | (2,107,202) | (2,107,202) |
| **As at June 30, 2023** | 3,244,403 | 20,660,357 | 5,304,587 | (24,330,773) | 1,634,171 |
| Exercise of RSUs (Note 13) | 38,409 | 90,209 | (90,209) | - | - |
| Stock-based compensation | - | - | 59,917 | - | 59,917 |
| Net loss for the year | - | - | - | (1,624,935) | (1,624,935) |
| **As at June 30, 2024** | 3,282,812 | 20,750,566 | 5,274,295 | (25,955,708) | 69,153 |

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

**Hill Incorporated (Formerly Hill Street Beverage Company Inc.)**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian Dollars)

| **Year ended** | **June 30, 2024** | **June 30, 2023** |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss for the year | (1,624,935) | (2,107,202) |
| Items not affecting cash: | | |
| Bad debt | 403,478 | 134,843 |
| Depreciation | 263,462 | 313,847 |
| Gain on termination of lease | - | (7,868) |
| Gain on sale of assets held for sale | - | (40,512) |
| Loan forgiveness | (20,000) | - |
| Impairment of intangible assets | 79,137 | 237,195 |
| Impairment of property and equipment | - | 90,013 |
| Management fees | | 34,500 |
| Stock-based compensation | 59,917 | 255,794 |
| Accretion expense | - | 6,377 |
| Accrued interest | 233,456 | 241,081 |
| | (605,485) | (841,932) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (342,308) | 702,169 |
| Inventory | (124,324) | 5,658 |
| Prepaid expenses | - | 70,891 |
| Accounts payable and accrued liabilities | 5,072 | (654,981) |
| Cash used in operating activities | (1,067,045) | (718,195) |
| **INVESTING ACTIVITIES** | | |
| Proceeds from sale of assets held for sale | - | 143,601 |
| Purchase of property and equipment | - | (6,037) |
| Cash provided by investing activities | - | 137,564 |
| **FINANCING ACTIVITIES** | | |
| Proceeds from units issued, net of costs | - | 694,775 |
| Lease payments | - | (14,783) |
| Repayment of loans | (62,369) | (57,141) |
| Cash (used in) provided by financing activities | (62,369) | 622,851 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | (1,129,414) | 42,220 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 1,195,415 | 1,153,195 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | 66,001 | 1,195,415 |

Supplemental cash flow information (Note 19)

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Hill Incorporated, formerly Hill Street Beverage Company Inc., and before that, Avanco Capital Corp. (the "**Company**") was incorporated on April 6, 2016 in British Columbia under the Business Corporations Act (British Columbia) and was continued to Ontario under the Business Corporations Act (Ontario) on November 30, 2018. The Company commenced trading on the TSX Venture Exchange (the "TSX V") under the symbol "AAA.P" on March 24, 2017. The Company is engaged in the sale of alcohol-free beverages. The Company sells its products to distributors who in turn, sell the products in retail stores and online in Canada and the United States. The Company is also engaged in biodelivery technology licensing.

The Company changed its name from Avanco Capital Corp. to Hill Street Beverage Company Inc., on July 24, 2018 in conjunction with a reverse takeover transaction (the "**RTO**"). The Company resumed trading on the TSXV at the opening of the market on July 24, 2018 under the new symbol "BEER". The Company subsequently changed to its current stock ticker symbol of "HILL" on March 2, 2022. In addition to trading on the TSXV (located in Canada), the Company also commenced trading on the OTCQB Venture Market (located in the United States), on February 21, 2023, under the symbol "HSEEF". On May 30, 2023, the Company changed its name from Hill Street Beverage Company Inc., to Hill Incorporated.

The Company's registered address and the records are held at 222 Bay Street, Suite 3000, Toronto, Ontario, M5K 1E7.

On May 30, 2023, the Company implemented the consolidation of its common shares (Note 13) based on 1 post-consolidation common share for each 75 pre-consolidation common shares. All common shares and per share amounts have been retroactively restated to reflect the consolidation.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and that management does not intend to liquidate the entity, or has no realistic alternative but to do so. As at June 30, 2024, the Company had not yet achieved profitable operations, had a net loss of $1,624,935 (June 30, 2023: $2,107,202), accumulated deficit of $25,955,708 (June 30, 2023: $24,330,773 ), and expects to incur further losses in the foreseeable future, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to obtain necessary financing and generate operational profit to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. The success of the Company's endeavors cannot be predicted at this time. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

## 2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements for the years ended June 30, 2024 and June 30, 2023 were authorized for issuance by the Board of Directors on October 25, 2024.

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Hill Street Marketing Inc. and Hill Avenue Cannabis Inc., companies incorporated in Ontario; and Hill Avenue Marketing US Inc., a company incorporated in Delaware. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany transactions and balances have been eliminated on consolidation.

## 2. BASIS OF PREPARATION (continued)

Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.

In particular, information about significant areas of estimation uncertainty and judgment considered by management in preparing the financial statements includes:

*Critical Accounting Estimates and Judgements*

- Calculation of the net book value of intangible assets require management to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodologies are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the useful life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated statement of financial position.

- When valuing options and warrants, estimates are required to be made by management when determining the inputs to the Black-Scholes option pricing model including the expected plan lives, underlying share price volatility and forfeiture rates. Volatility is estimated by considering the Company's own historical share price volatility, as well as peer companies historic share price volatility over similar periods to the expected life of the awards under consideration. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in the consolidated statements of loss and comprehensive loss.

- When determining the discount rate used to estimate the fair value of the CEBA loan, the Company considers market conditions and other internal and external factors. The Company estimates its credit rating and benchmarks the discount rate to certain fixed income indices.

- When valuing restricted share units subject to market based vesting terms, similar to other stock-based compensation, management uses judgment to determine the inputs to the Barrier option pricing model including the expected life, and underlying share price volatility. Volatility is estimated by considering the Company's own historical share price volatility. Management is also required to apply judgment in assessing the timing and success rate for which non-market based vesting terms will be achieved. Changes in these assumptions will impact the calculation of fair value and the amount of compensation expense recognized in the consolidated statements of loss and comprehensive loss.

**2. BASIS OF PREPARATION (continued)**

Use of Estimates and Judgments (continued)

- The recoverable amount of intangible asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss.

- The Company performs impairment testing at the end of each reporting period for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimate.

- The assessment of the Company’s ability to continue as a going concern involves judgement regarding future funding available for its operations and working capital requirements as discussed in Note 1.

- Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

Foreign currency translation

The Canadian dollar is determined to be the functional currency of the Company and its subsidiaries.

Transactions denominated in currencies other than the Canadian dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated at historical rates unless they are measured at fair value in which case these items are translated at the rate on the date that fair value was measured. Exchange gains or losses on translation are recorded in the consolidated statements of operations and comprehensive loss.

Revenue recognition

IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures.

Under IFRS 15, revenue is recognized to depict the transfer of goods in an amount that reflects the consideration to which the entity expects to be entitled following five steps:

(i) Identify the contract with a customer
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to the performance obligations in the contract
(v) Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of products is recognized when the product is shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. For transactions with retail stores and distributors, the Company’s terms are primarily “FOB destination point”, which designates that the Company will pay shipping costs and remain responsible for the goods until the buyer takes possession. Sales to consumers through the Company’s online store are recorded when the product is shipped out to the consumer. Product returns, promotional allowances, chargebacks, money program and discounts provided to consumers are deducted from gross revenue to arrive at net revenue.

Licensing income is recognized over time in gross revenue in accordance with the related licensing arrangements and rates determined in the licensing agreement.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Cost of goods sold

Cost of goods sold include the cost of finished goods inventory sold during the year and freight charges.

Inventory

Inventory is comprised of finished goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. The Company utilizes a weighted average cost calculation to determine the value of ending inventory. Weighted average cost is determined separately for domestic and export non-alcohol drinks.

Operating segments

The Company operates in two industry segments, the sale of non-alcoholic drinks products and royalty licensing fees. Most of the Company's sales are within Canada, with the remaining sales in the United States.

Intangible assets

Finite life intangible assets are comprised of licensing agreements, which are recorded at cost less accumulated amortization and accumulated impairment losses. Rates and basis of depreciation applied to amortize the cost of intangible assets to their residual values over their estimated useful lives are as follows:

| | | |
|---|---|---|
| Head licensing agreements | Straight line | 10 – 20 years |
| Sub-licensing | Straight line | 4 – 7 years |

The estimated useful life and amortization method are reviewed at the end of each reporting period, and the effects of any changes are reported on a prospective basis.

Impairment of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Impairment of intangible assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss.

Income taxes

Income tax on the profit or loss for the periods 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 period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for 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 nor taxable loss; 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 consolidated statement of financial position 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.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Government grants

The Company recognizes government grants when it is reasonably assured that it will comply with the conditions attached to them and the grants will be received. Government grants include the benefit of the below-market interest rate from the Canada Emergency Business Account (“CEBA”) loan. The benefit of the below-market interest rate from the CEBA loan is included in gain on favourable interest rate in the consolidated statements of operations and comprehensive loss. The benefit was initially deferred and was recognized as income as the proceeds of the loan were used to fund operating expenses.

Government grants (continued)

The CEBA loan was initially measured at fair value based on the present value of future cash flows, discounted using a market rate of interest for similar loans. The loan is subsequently measured at amortized cost using the effective interest method. Interest expense related to the CEBA loan is included in accretion expense in the consolidated statements of loss and comprehensive loss.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders’ equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. The proceeds from the issuance of units are allocated between common shares and warrants based on the proportionate fair value of both the common share and warrant on the date of issuance. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

Stock-based payments

The Company’s stock-based compensation plans for employees, directors, officers, and service providers consist of stock options and restricted share units (“RSUs”).

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Stock-based payments (continued)

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized as the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

RSUs are measured at their fair value on the date of grant based on the closing price of the Company's shares on the date prior to the grant and are recognized as share-based compensation expense over the vesting period, with a corresponding credit to reserve for share-based payments. RSUs subject to non-market based vesting conditions are determined using the Barrier Option Pricing model and the fair value of RSUs will be recognized as an expense over the estimated term that the performance goal will be achieve.

## 4. NEW STANDARDS ADOPTED

New accounting standards adopted

i) IAS 8 – Accounting policies, change in accounting estimates and errors ("IAS 8"), has been amended to require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has adopted this amendment effective July 1, 2023, resulting in no impact to the condensed interim consolidated financial statements.

New accounting standards announced but not yet effective

During the year ended June 30, 2024, there were no new IFRS or IAS accounting standards that became effective that had a material impact on the Company's consolidated financial statements. There are however a number of new standards and amendments to existing standards effective in future periods. The following may impact the reporting and disclosures of the Company:

i) **IAS 1 –Presentation of Financial Statements ("IAS 1")**, has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024, with early application permitted.

The adoption of the above standard is not expected to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

## 5. NET REVENUE

| For the year ended | | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| Non-alcoholic beverage sales | $ | 1,711,289 | 2,028,144 |
| Licensing income | | 784,674 | 1,164,601 |
| Other income | | 128,522 | 91,061 |
| Chargebacks | | (416,982) | (399,998) |
| | $ | 2,207,503 | 2,883,808 |

Other income consists of commissions.

## 6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| As at | | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| Trade receivables | $ | 454,785 | 515,815 |
| GST receivables | | - | 140 |
| | $ | 454,785 | 515,955 |

Bad debt expenses of $403,478 (June 30, 2023: $134,843) is the result of specific customer amounts owing being deemed uncollectible. This amount is recorded on the consolidated statements of operations and comprehensive loss.

## 7. INVENTORY

| As at | | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| Finished goods | $ | 139,099 | 14,775 |
| | $ | 139,099 | 14,775 |

Inventory write downs recognized in write-off of inventory under other income (expenses) in the consolidated statements of operations and comprehensive loss during the year ended June 30, 2024 amounted to $nil (June 30, 2023: $nil). The cost of inventory recognized as an expense and included in cost of sales during the year ended June 30, 2024 was $809,008 (June 30, 2023: $980,052).

(Expressed in Canadian Dollars)

## 8. ASSETS HELD FOR SALE

During the year ended June 30, 2022, the Company listed the equipment from its bottling and canning line for sale, resulting in the reclassification of equipment as assets held for sale. Prior to their reclassification, the equipment was reported under property and equipment at a carrying value of $157,144. Upon reclassification and as at June 30, 2022, the assets held for sale were revalued at the lower of their carrying value and their net realizable value, determined to be $103,089. As a result, a loss on impairment of assets held for sale was recognized in the consolidated statements of operations and comprehensive loss totaling $54,055 during the year ended June 30, 2022.

On January 10, 2023, the Company completed the sale of the equipment from its bottling and canning line that was held for sale for total proceeds of $143,601 (US$107,165) and recorded a gain on assets held for sale of $40,512 included on the consolidated statements of operations and comprehensive loss for the year ended June 30, 2023.

## 9. PROPERTY AND EQUIPMENT

| | ROU Asset | Computer Equipment | Computer Software | Assets in progress | Total |
|---|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ | $ |
| Balance at June 30, 2022 | 105,110 | 11,193 | 3,015 | 79,450 | 198,768 |
| Additions | - | 1,275 | - | 4,762 | 6,037 |
| Impairment | (105,110) | (12,468) | (3,015) | (84,212) | (204,805) |
| Balance at June 30, 2024 and 2023 | - | - | - | - | - |
| **Accumulated depreciation** | | | | | |
| Balance at June 30, 2022 | 41,052 | 6,591 | 1,931 | - | 49,574 |
| Depreciation for the year | 11,647 | 980 | 180 | - | 12,807 |
| Impairment | (52,699) | (7,571) | (2,111) | - | (62,381) |
| Balance at June 30, 2024 and 2023 | - | - | - | - | - |
| **Carrying amount** | | | | | |
| **Balance at June 30, 2024 and 2023** | - | - | - | - | - |

(Expressed in Canadian Dollars)

**9. PROPERTY AND EQUIPMENT (continued)**

During the year ended June 30, 2024, the Company recognized an impairment of $nil (June 30, 2023 - $5,801) for computer equipment and software, as well as $nil (June 30, 2023 - $84,212) for assets in progress to reflect the decision to shut down the planned cannabis products research and development facility in Mississauga, Canada. The recoverable amount of the computer equipment and software were estimated by reference to their value-in-use, determined to be $nil as of June 30, 2024 and 2023.

On February 28, 2023, the Company recognized a gain on termination of the lease agreement for a facility in Mississauga, Ontario in the amount of $7,868, resulting in the offsetting of the carrying value of the ROU asset of $52,411 against the lease liability (Note 11).

## 10. INTANGIBLE ASSETS

| | Canpharm / Lexaria License (i) & (ii) | Other License (iii) | Trademarks (iv) | Total |
|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ |
| Balance at June 30, 2022 | 3,816,492 | 69,104 | 12,113 | 3,897,709 |
| Impairment | (264,049) | (69,104) | (12,113) | (345,266) |
| Balance at June 30, 2023 | 3,552,443 | - | - | 3,552,443 |
| Impairment | (239,911) | - | - | (239,911) |
| Balance at June 30, 2024 | 3,312,532 | - | - | 3,312,532 |
| **Accumulated depreciation** | | | | |
| Balance at June 30, 2022 | 560,485 | 29,152 | - | 589,637 |
| Depreciation for the year | 297,154 | 3,886 | - | 301,040 |
| Impairment | (75,033) | (33,038) | - | (108,071) |
| Balance at June 30, 2023 | 782,606 | - | - | 782,606 |
| Depreciation for the year | 263,462 | - | - | 263,462 |
| Impairment | (160,774) | - | - | (160,774) |
| Balance at June 30, 2024 | 885,294 | - | - | 885,294 |
| Carrying amount at June 30, 2023 | 2,769,837 | - | - | 2,769,837 |
| **Carrying amount at June 30, 2024** | 2,427,238 | - | - | 2,427,238 |

(i) On July 30, 2018, the Company entered into a semi-exclusive licensing agreement with Lexaria Canpharm ULC for the use of its technology to produce a line of cannabis-infused alcohol-free beverages for Canadian distribution, following regulatory approval. In connection with the licensing agreement, the Company has capitalized a total of $209,250.

**10. INTANGIBLE ASSETS (continued)**

On December 9, 2020, the Company entered into an intellectual property license agreement with Lexaria Hemp Corp. to expand the Company's license with Lexaria Hemp Corp. to make products containing CBD on a global basis for ten years. This agreement hereby supersedes and replaces in its entirety the prior agreement dated July 30, 2018.

**(ii)** On December 9, 2020, the Company entered into an asset purchase agreement with Lexaria Canpharm ULC to acquire exclusive rights in perpetuity to use Lexaria's non-pharmaceutical THC-related property assets and license agreement assets (the "Canpharm Licenses") in exchange for aggregate consideration of $3,590,928 (the "Lexaria Asset Acquisition"). Additional transaction costs totaling $38,655 were incurred in connection with the completion of the asset purchase agreement. The transaction was accounted for as an asset acquisition.

Aggregate consideration included an upfront cash payment of $350,000 on closing (paid), $2,000,000 payable in the form of a promissory note bearing 10% interest per annum (note 12), a total of 80,418 common shares valued at $753,920 issued on closing and $1,000,000 of consideration payable to be settled in the form of common shares, payable in two equal tranches 8 months and 16 months from the date of closing. The fair value of the consideration payable on the date of closing of the acquisition amounted to $487,008, determined using a Monte Carlo Simulation.

During the year ended June 30, 2022, the consideration payable was settled through the issuance of 156,863 shares with a total fair value of $676,916, with a gain on fair value of consideration payable totaling $69,308 recognized in the consolidated statements of operations and comprehensive loss.

The intangible assets acquired included a license and sublicenses. The value of each was proportionately allocated based on their fair value, determined to be $3,607,242. The license is being amortized over the useful life of the patents it gives the right to which are 20 years. The sublicenses are being amortized over their remaining useful life which is between 4 and 9 years.

During the year ended June 30, 2023, the Company deemed some of its sublicensing agreements to be impaired due to the inability to collect future revenues on the sublicensing agreement, recognizing a loss on impairment of intangible assets totaling $189,016 in the consolidated statements of operations and comprehensive loss. The recoverable amount of the sublicensing agreements was determined by reference to its value-in-use, determined to be $nil as of June 30, 2023, with the impairment loss recognized being equal to the carrying value of the sublicensing agreement.

During the year ended June 30, 2024, the Company deemed some of its sublicensing agreements to be impaired due to the inability to collect future revenues on the sublicensing agreement, recognizing a loss on impairment of intangible assets totaling $79,137 in the consolidated statements of operations and comprehensive loss. The recoverable amount of

**10. INTANGIBLE ASSETS (continued)**

the sublicensing agreements was determined by reference to its value-in-use, determined to be $nil as of June 30, 2024, with the impairment loss recognized being equal to the carrying value of the sublicensing agreement.

(iii) The Company has capitalized a total of $69,104 of costs associated with acquiring a Standard Processor License under the Cannabis Act (Canada), and a Standard Processing License application under Health Canada. These licenses fees are being amortized over their useful life of 5 years. During the year ended June 30, 2023, the Standard Processing Licenses were deemed to be impaired due to the decision to shut down the planned cannabis products research and development facility in Mississauga, Canada. Accordingly, the Company recognized a loss on impairment of intangible assets totaling $36,066 in the consolidated statements of operations and comprehensive loss. The recoverable amount of the Standard Processing Licenses was determined by reference to their value-in-use, determined to be $nil as of June 30, 2024 and 2023, with the impairment loss recognized being equal to the carrying value of the Standard Processing Licenses.

(iv) The Company has capitalized a total of $12,113 for trademarks. The full amount of $12,113 was deemed to be impaired due to the decision to shut down the planned cannabis products research and development facility in Mississauga, Canada and recognized as a loss on impairment of intangible assets in the consolidated statements of operations and comprehensive loss during the year ended June 30, 2023. The recoverable amount of the trademarks was determined by reference to their value-in-use, determined to be $nil as of June 30, 2024 and 2023, with the impairment loss recognized being equal to the carrying value of the trademarks.

**11. LEASES**

The Company had a lease for industrial commercial space. The Company’s lease commenced on February 25, 2020 and extended to February 28, 2023. The Company had an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years, which option it did not exercise. The Company has recognized a ROU asset in respect of this lease, which is included in property and equipment on the consolidated statements of financial position (note 9).

The Company has also recognized a lease liability for this lease, which was initially measured at the present value of the future lease payments, discounted using the Company’s incremental borrowing rate of 6%. Interest expense on the lease liability is included in bank charges and interest in the consolidated statements of operations and comprehensive loss. The carrying amount of the Company’s lease liability is summarized in the table below.

During the year ended June 30, 2022, the Company determined that the three-year extension was reasonably certain to be exercised on the lease for the industrial commercial space. In connection with the extension, an addition to the ROU asset and lease liability was recognized for amounts totaling $52,091, measured at the present value of the future lease payments, discounted using an incremental borrowing rate of 10%.

(Expressed in Canadian Dollars)

**11. LEASES (continued)**

| | Lease liability |
|---|---|
| **Balance, June 30, 2022** | **70,501** |
| Interest expense | 4,561 |
| Lease payments | (14,783) |
| Carrying value of ROU asset (Note 9) | (52,411) |
| Gain on termination of lease | (7,868) |
| **Balance, June 30, 2024 and 2023** | **-** |
| **Current portion** | **-** |
| **Non-current portion** | **-** |

Effective February 28, 2023, the Company made the decision not to extend the lease for an additional three-year term, resulting in a gain on termination of lease totaling $7,868. The gain represents the write-off of the unamortized ROU asset and corresponding lease liability in relation to the termination of the industrial commercial space. The gain was recognized in the consolidated statements of operations and comprehensive loss for the year ended June 30, 2023.

## 12. NOTE PAYABLE AND CEBA LOAN

The Company has/had the following loans payable as at June 30, 2024 and June 30, 2023:

| As at | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| CEBA loan | - | 60,000 |
| Promissory note | 2,680,233 | 2,469,146 |
| Total loans payable | 2,680,233 | 2,529,146 |

Canada Emergency Business Account

| | CEBA loan |
|---|---|
| **Balance at June 30, 2022** | **$53,623** |
| Accretion Expense | $6,377 |
| **Balance at June 30, 2023** | **$60,000** |
| Loan repayment | ($40,000) |
| Loan forgiveness | ($20,000) |
| **Balance at June 30, 2024** | **$nil** |

The Company received a loan in the aggregate amount of $60,000 pursuant to the Canada Emergency Business Account **("CEBA")**. The CEBA provides zero-interest, partially forgivable loans of up to $60,000 to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and employment costs. If the balance of the loan is repaid on or before December 31, 2022, 25% on the first $40,000, plus 50% percent on the additional $20,000 will be forgiven. The loan bears no interest until December 31, 2022, at which point if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum. On recognition, the initial $40,000 and additional $20,000 were recognized at their respective fair values totaling $22,061 and $13,459, and

**12. NOTE PAYABLE AND CEBA LOAN (continued)**

the subsequently measured at amortized cost, using an effective interest rate of 23%. During the year ended June 30, 2024, $nil (June 30, 2023: $6,377) of interest expense related to the CEBA loan was recognized and included in accretion expense in the consolidated statements of operations and comprehensive loss.

On February 15, 2022, the repayment terms for the CEBA loan were amended such that, provided that $40,000 of the CEBA loan's outstanding balance is repaid on or before December 31, 2023, the remaining $20,000 in outstanding balance will be forgiven. The outstanding balance of the CEBA loan that is not repaid by December 31, 2023 becomes immediately repayable in 24 consecutive monthly instalments beginning January 1, 2024 until fully repaid at December 31, 2025.

During the year ended June 30, 2024, the Company repaid $40,000 of the CEBA loan, and $20,000 was forgiven, in accordance with the amended repayment terms. As a result, $20,000 of loan forgiveness was recognized in the consolidated statements of operations and comprehensive loss.

Note payable

On December 9, 2020, in consideration of the value received in connection with the Lexaria Asset Acquisition, the Company agreed to pay the principal sum of $2,000,000 in the form of a promissory note. On initial recognition, the principal amount shall bear interest at the rate of 10% per annum and shall accrue and be calculated quarterly-annually. The principal amount and any accrued interest shall be repayable by the Company in quarterly installments in an amount equal to 5% of the gross sales realized from cannabis infused product sold by the Company or its licenses utilizing the acquired technology until such time that the promissory note is repaid in full. This promissory note and any accrued interest may be prepaid by the Company at any time in its sole and absolute discretion without penalty. On December 9, 2021, the principal balance on the promissory note was amended to $2,180,082, comprising the original principal balance of $2,000,000 and $180,082 of accrued and unpaid interest. Under the amended terms of the promissory note, interest shall now be compounded and calculated annually. During the year ended June 30, 2024, the Company recognized interest expenses totaling $233,456 (June 30, 2023: $236,520) in the consolidated statements of operations and comprehensive loss. During the year ended June 30, 2024, total repayment was $22,369 (June 30, 2023: $57,141).

As of June 30, 2024, the repayments of the note payable are variable in nature, with the upcoming 12-months of payments of principal and interest estimated to be $68,439 based on the projected licensing revenues.

**13. SHARE CAPITAL**

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

At June 30, 2024 and June 30, 2023, the issued and outstanding share capital is/was comprised of 3,282,812 and 3,244,403 common shares, respectively.

On May 30, 2023, the Company consolidated its issued share capital on a ratio of 75 pre-consolidation common shares to 1 post-consolidation common share (the "Share Consolidation"). The current and comparative references to the common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this Share Consolidation. The share consolidation was approved by the shareholders on May 2, 2023.

***During the year ended June 30, 2024, the Company issued the following shares:***

On January 26, 2024, 38,409 of the RSUs previously granted and which had vested, were redeemed by directors of the Company for common shares of the Company. The fair value of RSUs redeemed of $90,209 was reclassified to share capital from reserves.

***During the year ended June 30, 2023, the Company issued the following shares:***

On July 22, 2022, 22,666 of the RSUs previously granted and which had vested were redeemed by an employee and executive for common shares of the Company. The fair value of RSUs redeemed of $68,000 was reclassified to share capital from reserves.

On November 18, 2022, 6,666 of the RSUs previously granted and which had vested, were redeemed by an employee for common shares of the Company. The fair value of RSUs redeemed of $12,500 was reclassified to share capital from reserves.

On December 22, 2022, the Company issued 233,333 units at a price of $3.00 per unit for gross proceeds of $700,000 (the "December 2022 Private Placement"). Each unit consisted of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of $3.75 per share, exercisable for a period of 24 months from the date of issuance. Should the closing price at which the common shares trade on the TSX V (or any such other exchange as such shares may be listed) exceed $6.00 for 10 consecutive trading days at any time following the date of issuance, the Company may accelerate the warrant expiry such that the warrants shall expire on the date which is 60 business days from the date the Company gives notices. The warrants were assigned a value of $256,034, determined by reference to their proportionate fair value using a Black-Scholes Option Pricing Model. In connection to the private placement, the Company paid $5,225 in cash for share issuance costs.

(Expressed in Canadian Dollars)

**13. SHARE CAPITAL (continued)**

b) Issued and outstanding (continued)

The fair value of the warrants was determined using the Black-Scholes pricing model using the following assumptions: share price of $1.50; a volatility of 149.61%; risk-free interest rate of 3.82%; expected life of 2 years; and a dividend rate of 0%.

On March 7, 2023, the Company issued 9,200 common shares upon the exercise of warrants by a director. The exercise price of such warrant exercise was valued at $34,500, but the Company waived the receipt of the exercise price in lieu of the Company's payment of the equal amount of board compensation owing to such director. The shares issued were valued at $45,483, representing the sum of the board compensation owing to the director of $34,500 and the transfer of previously recognized warrants reserve of $10,983.

c) Stock options

The continuity of options for the years ended June 30, 2024 and June 30, 2023 is summarized below:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, June 30, 2022 | 183,249 | $ 5.89 |
| Granted | 93,333 | 3.75 |
| Expired / Forfeited | (32,287) | (5.77) |
| **Balance, June 30, 2023** | **244,295** | **$ 5.09** |
| Expired / Forfeited | (60,582) | (5.50) |
| **Balance, June 30, 2024** | **183,713** | **$ 4.95** |

The following table summarizes the options outstanding and exercisable at June 30, 2024:

| Expiry | | Exercise Price | Options Outstanding | Options Exercisable |
|---|---|---|---|---|
| May 1, 2025 | $ | 3.75 | 7,334 | 7,334 |
| March 1, 2026 | $ | 7.125 | 22,666 | 22,666 |
| April 30, 2026 | $ | 6.75 | 50,380 | 50,380 |
| March 28, 2027 | $ | 3.00 | 10,000 | 10,000 |
| April 27, 2028 | $ | 3.75 | 93,333 | 93,333 |
| Total | $ | 4.95 | 183,713 | 183,713 |

As of June 30, 2024, the weighted average remaining contractual life of all options outstanding was 2.84 years.

(Expressed in Canadian Dollars)

**13. SHARE CAPITAL (continued)**

c) Stock options (continued)

***No stock options were granted during the year ended June 30, 2024.***

***During the year ended June 30, 2023, the Company granted the following stock options:***

On April 27, 2023, 93,333 options were granted to certain directors of the Company at an exercise price of $3.75 per share, expiring on April 27, 2028. All such stock options vested on June 30, 2023 and the fair value of the options at grant date was $84,100.

On August 30, 2022, the expected life of 14,666 fully vested options held by a former officer of the Company, previously granted on May 1, 2020, were reduced to one year from the date of employment termination, being August 30, 2023.

On August 30, 2022, the expected life of 13,334 fully vested options held by a former officer of the Company, previously granted on March 1, 2021, were reduced to one year from the date of employment termination, being August 30,2023, and a total of 6,666 of unvested options were forfeited during the year ended June 30, 2023. Previously recorded stock-based compensation of $nil (June 30, 2023 - $20,118) related to the forfeited options was reversed during the year ended June 30, 2024.

All options are recorded at fair value using the Black-Scholes option pricing model. Volatility is based on peer companies and the historical trading prices of the Company's shares. Pursuant to the vesting schedule of options granted during the year ended June 30, 2024 share-based compensation of $nil (June 30, 2023: $74,082) was recognized in the consolidated statements of operations and comprehensive loss.

The following weighted average assumptions were used in the option pricing models of stock options granted during the years ended June 30, 2024 and June 30, 2023:

| | **June 30, 2024** | **June 30, 2023** |
|---|---|---|
| Share price | $Nil | $1.125 |
| Risk-free interest rate | Nil | 2.92% |
| Expected life | Nil | 5 years |
| Expected volatility | Nil | 138% |
| Expected dividends | Nil | Nil |

(Expressed in Canadian Dollars)

**13. SHARE CAPITAL (continued)**

d) Warrants

The continuity of warrants for the years ended June 30, 2024 and June 30, 2023 is summarized below:

| | Number of warrants | | Weighted average exercise price |
|---|---|---|---|
| Balance, June 30, 2022 | 794,926 | $ | 8.68 |
| Granted (Note 13(b)) | 233,333 | | 3.75 |
| Exercised (Note 13(b)) | (9,200) | | (9.75) |
| Expired | (218,413) | | (9.74) |
| **Balance, June 30, 2023** | **800,646** | **$** | **6.94** |
| Expired | (567,313) | | (8.25) |
| **Balance, June 30, 2024** | **233,333** | **$** | **3.75** |

The following table summarizes the warrants outstanding at June 30, 2024:

| **Expiry** | | **Exercise Price** | **Warrants Outstanding** |
|---|---|---|---|
| December 22, 2024 | $ | 3.75 | 233,333 |
| Total | | | 233,333 |

As of June 30, 2024, the weighted average remaining contractual life of all warrants outstanding was 0.48 years.

On November 18, 2022, the Company received approval from the TSX V to modify the exercise price and extend the expiry date of 150,012 warrants, at the discretion of the Board of Directors. These warrants, previously set to expire on November 18, 2022, had an extended expiry date of March 17, 2023. The exercise price has also been reduced from $9.75 to $3.75. On March 9, 2023, 9,200 of these warrants were exercised.

For details on warrants granted, refer to Note 13(b).

The following weighted-average assumptions used in the option-pricing model of warrants issued during the year June 30, 2024 and 2023:

| | **June 30, 2024** | **June 30, 2023** |
|---|---|---|
| Share price | $Nil | $1.50 |
| Risk-free interest rate | Nil | 3.82% |
| Expected life | Nil | 2 years |
| Expected volatility | Nil | 149.61% |
| Expected dividends | Nil | Nil |

**13. SHARE CAPITAL (continued)**

e) Restricted share unit plan

The Company has adopted a restricted share unit plan (the "RSU Plan"), which provides that the Board of Directors of the Company may, from time to time, grant to directors, officers, employees and consultants of the Company, non-transferable RSUs. The expiry date for each restricted share unit shall be set by the Board of Directors at the time of issue. A vesting schedule may be imposed at the discretion of the Board of Directors at the time of issue. The number of shares that may be reserved for issuance shall not exceed 20% of the total number of issued and outstanding shares of the Company.

***During the year ended June 30, 2024, the Company granted the following RSUs:***

On January 12, 2024, the Company granted 33,600 RSUs to certain directors of the Company. The RSUs will vest on January 12, 2025. The fair value of these RSUs was determined to be $15,792 by reference to the fair value of the Company's common shares on the date of grant and will be recognized as an expense over the vesting period.

***During the year ended June 30, 2023, the Company granted the following RSUs:***

On July 1, 2022, the Company granted 6,666 RSUs to an employee of the Company. Each RSU entitles the holder to receive one common share of the Company upon the vesting of such RSU. The RSUs vested immediately. The fair value of these RSUs was determined to be $12,500 by reference to the fair value of the Company's common shares on the date of grant and will be recognized immediately as an expense.

On October 12, 2022, the Company granted 13,333 RSUs to an officer of the Company. The RSUs vested on October 12, 2023. The fair value of these RSUs was determined to be $40,000 by reference to the fair value of the Company's common shares on the date of grant and will be recognized as an expense over the vesting period.

On April 27, 2023, the Company granted 13,343 RSUs to a director of the Company. The RSUs vested on June 30, 2023. The fair value of these RSUs was determined to be $15,011 by reference to the fair value of the Company's common shares on the date of grant and will be recognized as an expense over the vesting period.

Pursuant to the vesting schedule of RSUs granted during the year ended June 30, 2024 share-based compensation of $59,917 (June 30, 2023: $181,712) was recognized in the consolidated statements of operations and comprehensive loss.

(Expressed in Canadian Dollars)

**13. SHARE CAPITAL (continued)**

e) Restricted share unit plan (continued)

The continuity of RSUs for the years ended June 30, 2024 and 2023 are summarized below:

| | Number of RSUs |
|---|---|
| Balance as at June 30, 2022 | 155,614 |
| Granted | 33,342 |
| Redeemed into common shares | (29,332) |
| Balance as at June 30, 2023 | 159,624 |
| Granted | 33,600 |
| Cancelled | (13,333) |
| Redeemed into common shares | (38,409) |
| Balance as at June 30, 2024 | 141,482 |

As at June 30, 2024, a total of 18,994 RSUs have vested and are exercisable.

**14. RELATED PARTY TRANSACTIONS**

The Company considers its executive officers and directors to be key management personnel. The Company incurred the following amounts to related parties during the respective periods for key management personnel compensation:

| During year ended June 30, | $ 2024 | $ 2023 |
|---|---|---|
| Total salaries, benefits and management fees | 918,516 | 691,110 |
| Stock-based compensation | 59,917 | 242,285 |
| Total salaries and other short-term benefits | 978,433 | 933,395 |

Included in accounts payable and accrued liabilities as at June 30, 2024 is $42,751 (June 30, 2023: $76,236) payable to Directors and Officers of the Company for management wages, including vacation payable. The amount is non-interest bearing and unsecured.

On December 23, 2022, an officer invested a total of $32,124 in the December 2022 Private Placement.

On March 7, 2023, the Company issued 9,200 shares for the exercise of warrants that had an exercise price of $34,500 in lieu of board compensation to be paid to a director of the Company. (Note 13).

On March 31, 2023, the Company reversed $191,347 in bonus expenses accrued that were no longer payable.

On June 30, 2023, the Company reversed $45,000 in bonus expenses accrued that were no longer payable.

## 15. FINANCIAL INSTRUMENTS

Financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at fair value through profit or loss ("FVTPL") are measured at fair value with changes in those fair values recognized in the consolidated statements of operations and comprehensive loss. Financial assets and liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement for each financial instrument:

| **Financial instrument** | **Category** | **Measurement** |
|---|---|---|
| Cash and cash equivalents | FVTPL | FVTPL |
| Accounts receivable | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost |
| CEBA Loan | Other liabilities | Amortized cost |
| Note payable | Other liabilities | Amortized cost |

Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized when the contractual rights to cash flows from the financial asset receipt or when the contractual rights to those assets are transferred.

*Amortized cost*

Financial assets measured at amortized cost are financial assets held within a business model whose objective is to collect contractual cash flows, with the cash flows representing solely payments of principal and interest. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

*FVTPL*

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of sale in the near term. Financial instruments classified as FVTPL are measured at fair value, with any changes in fair value recognized in net loss.

**15. FINANCIAL INSTRUMENTS (continued)**

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost*

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, there are presented as non-current liabilities.

*Financial liabilities recorded FVTPL*

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**15. FINANCIAL INSTRUMENTS (continued)**

Expected credit loss impairment model

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

During the year ended June 30, 2024, the Company recognized $403,478 (June 30, 2023 - $134,843) of bad debts in the consolidated statements of operations and comprehensive loss.

Financial instruments held at fair value

The fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The fair value of cash and cash equivalents is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets.

The fair value of the Company’s accounts receivable, accounts payable and accrued liabilities, CEBA loan and note payable approximate their carrying values due to their short-term nature and their subjectivity to interest rates that are similar to the market interest rates of a similar item with similar security.

(Expressed in Canadian Dollars)

## 16. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit Risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its cash and cash equivalents, and accounts receivable. The risk exposure is limited to their carrying amounts reflected on the consolidated statements of financial position. The risk for cash and cash equivalents is mitigated by holding most of these instruments with highly rated Canadian financial institutions. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. As at June 30, 2024, the Company had $454,785 (June 30, 2023 - $515,955) financial assets that may be subject to credit risk defaults.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and accrued liabilities, CEBA loan and note payable. The Company manages its liquidity risk through the management of its capital structure as described in Note 17. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. As at June 30, 2024, the Company held $406,176 (June 30, 2023 - $500,612) in current liabilities.

The composition and maturity of the Company's financial liabilities was as follow:

| | | Total | 1 year | 2-3 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ | 337,737 | 337,737 | - | - | - |
| Note payable | | 2,680,233 | 68,439 | 148,500 | 124,538 | 2,338,756 |
| | $ | 3,017,970 | 406,176 | 148,500 | 124,538 | 2,338,756 |

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, and cause fluctuations in the fair value of future cash flows for assets or liabilities measured at fair value. As at June 30, 2024, the Company holds $2,680,233 (June 30, 2023 - $2,469,146) of interest-bearing debt, however there is no cash flow interest rate risk because the interest rate is fixed at 10%. This note payable does not have a callable repayment date.

**16. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued)**

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. Revenue and expenses are mostly denominated in Canadian dollar, US dollar or Euro. A significant change in the currency exchange rates between the Canadian dollar, US dollar and Euro could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at June 30, 2024, a plus or minus 5% change in foreign exchange rates would affect the consolidated statements of operations and comprehensive loss by $10,111 (June 30, 2023 - $57,826).

Interest rate risk

The Company's policy is to invest excess cash in guaranteed investment certificates ("**GIC**") at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at June 30, 2024, the Company held $nil (June 30, 2023 - $300,243) in redeemable GICs accruing interest at nil% (June 30, 2023 – 3.75%). Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

## 17. CAPITAL MANAGEMENT

The Company considers capital to consist of note payable and shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance its business development and meet its obligations as they come due. The Company is in the early stages of operations and is currently developing a capital structure which will support expanded activity. The Company monitors economic conditions and the risks related to the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's capital management from the prior year.

## 18. SEGMENTED REPORTING

The Company operates primary in two business segments, the sale of beverages and licensing. Revenues from external customers are derived from customers located as follows:

| **During the year ended June 30,** | | **2024** | **2023** |
|---|---|---|---|
| Canada | $ | 1,432,829 | 1,719,207 |
| United States | | 774,674 | 1,164,601 |
| Other | | - | - |
| | $ | 2,207,503 | 2,883,808 |

(Expressed in Canadian Dollars)

**18. SEGMENTED REPORTING (continued)**

During the year ended June 30, 2024, one of the Company's customers accounted for 57% of net revenue, with two other customers contributing 20% and 15%, respectively (June 30, 2023: 52% and 21%, respectively).

Disaggregation of non-current assets by geographic area:

| As at | | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| Canada | $ | 2,427,238 | 2,769,837 |
| United States | | - | - |
| Other | | - | - |
| | $ | 2,427,238 | 2,769,837 |

Reportable business segment information is as follows:

| | June 30, 2024 | | June 30, 2023 | |
|---|---|---|---|---|
| | **Beverages** | **Licensing** | **Beverages** | **Licensing** |
| | $ | $ | $ | $ |
| Revenue | (1,422,829) | (784,674) | (1,719,207) | (1,164,601) |
| Interest and accretion | - | 233,456 | 6,377 | 241,081 |
| Depreciation | - | 263,462 | 1,160 | 312,687 |
| Total assets | 442,814 | 2,644,309 | 1,494,347 | 3,001,635 |
| Total liabilities | (337,737) | (2,680,233) | (392,665) | (2,469,146) |

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows.

*During the year ended June 30, 2024*:

Financing activities

During the year ended June 30, 2024, 38,409 of the RSUs were redeemed by directors for common shares of the Company. The fair value of RSUs redeemed of $90,209 was reclassified to share capital from reserves (Note 13).

*During the year ended June 30, 2023*:

Investing activities

On February 28, 2023, the Company recognized a gain on termination of lease, resulting in the offsetting of the carrying value of the ROU asset of $52,411 against the lease liability (Note 9 & 11).

(Expressed in Canadian Dollars)

**19. SUPPLEMENTAL CASH FLOW INFORMATION (continued)**

Financing activities

On March 7, 2023, the Company issued 9,200 shares for the exercise of warrants that had an exercise price of $34,500 in lieu of board compensation to be paid to a director of the Company. (Note 13).

During the year ended June 30, 2023, 29,332 of the RSUs were redeemed by employees for common shares of the Company. The fair value of RSUs redeemed of $80,500 was reclassified to share capital from reserves (Note 13).

**20. INCOME TAXES**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 - 26.5%) to the effective tax rate is as follows:

(a) Current Income

| | June 30, 2024<br>$ | June 30, 2023<br>$ |
|---|---|---|
| Net loss for the year | (1,624,935) | (2,107,202) |
| Expected income tax (recovery) expense: | (430,608) | (558,409) |
| Share-based compensation | 15,878 | 67,785 |
| Non-deductible items | 283 | 3,505 |
| Effect of tax rates outside of Canada | 20,696 | 10,438 |
| Other adjustments | 127,060 | 40,903 |
| Change in tax benefits not recognized | 266,691 | 435,778 |
| Income tax (recovery) expense | - | - |

(b) Unrecognized Deferred Income Taxes

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | June 30, 2024<br>$ | June 30, 2023<br>$ |
|---|---|---|
| Property and equipment | 261 | 356 |
| Intangible assets | 153,589 | 127,583 |
| Share issuance costs – 20(1)(e) | 39,381 | 75,631 |
| Compounded interest | 47,336 | - |
| Non-capital losses carried forward – Canada | 20,069,682 | 18,934,861 |
| Net operating losses carried forward – US | - | 208,765 |
| Total unrecognized deferred income tax assets | 20,310,249 | 19,347,196 |

(Expressed in Canadian Dollars)

**20. INCOME TAXES (continued)**

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2027. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

| | | Canada |
|---|---|---|
| 2031 | | 57,123 |
| 2032 | | 210,019 |
| 2033 | | - |
| 2034 | | 1,344,758 |
| 2035 | | 617,450 |
| 2036 | | 618,695 |
| 2037 | | 2,649,494 |
| 2038 | | 168,759 |
| 2039 | | 4,124,385 |
| 2040 | | 2,514,259 |
| 2041 | | 2,746,345 |
| 2042 | | 2,379,727 |
| 2043 | | 1,487,514 |
| 2044 | | 1,151,154 |
| | $ | 20,069,682 |

**21. SUBSEQUENT EVENTS**

On August 2, 2024, Hill Street Marketing Inc., a wholly-owned subsidiary of the Company, received an unsecured loan of $250,000 from Holdco (St. Catharines) Ltd. ("Holdco"), the Company's largest shareholder. The loan bears interest at a rate of 10% per annum. In connection with the loan, the Company paid a commitment fee of $7,500 to Holdco. The loan matures on the earlier of August 9, 2025, or upon the occurrence of certain events as outlined in the Loan Agreement.