# STOCK TREND CAPITAL INC.
# (FORMERLY, WORLD CLASS EXTRACTIONS INC.)

## CONSOLIDATED FINANCIAL STATEMENTS
## For the years ended April 30, 2023, and 2022

(Expressed in Canadian Dollars)

# Independent Auditor's Report

To the Shareholders of Stock Trend Capital Inc.

## Opinion

We have audited the consolidated financial statements of Stock Trend Capital Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## 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 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 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 to the financial statements, which indicates that the Company incurred a net loss of $1,196,748 during the year ended April 30, 2023 and, as of that date, had an accumulated deficit of $60,053,165. 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 key audit matters to be communicated in our report.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Investment in shares of private company – Valuation**<br>**Investment in convertible debenture of private company – Valuation**<br><br>We draw attention to Note 5 to the financial statements. As at April 30, 2023, the Company held an investment, which had a carrying value of $750,000, in shares of a private company.<br><br>We also draw attention to Note 7 to the financial statements. As at April 30, 2023, the Company held an investment, which had a carrying value of $401,272, in a convertible debenture of a private company.<br><br>Both of these investments are measured at fair value through profit or loss.<br><br>We considered these key audit matters due to the significant management estimates and judgments required to determine the fair value of the investments. Auditing these estimates required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of a valuation specialist. | Our approach to addressing the matters included the following procedures, among others:<br>• Confirmed the ownership interests held by the Company directly with the investee;<br>• With the assistance of a valuation specialist:<br>  ○ Evaluated the appropriateness of the valuation methodologies and techniques used by management;<br>  ○ Evaluated the reasonableness of the inputs used and assumptions applied; and<br>  ○ Tested the mathematical accuracy of management's valuation calculation. |

## Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

August 25, 2023

## STOCK TREND CAPITAL INC. (FORMERLY, WORLD CLASS EXTRACTIONS INC.)
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
### AS AT
(Expressed in Canadian Dollars)

| | Note | April 30, 2023 | April 30, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | **$ 1,102,863** | $ 2,534,189 |
| Sales tax receivable | 6 | **19,428** | 7,717 |
| Loan receivables - fair value through profit or loss | 7 | **401,272** | - |
| Investments - fair value through profit or loss | 5 | **878,189** | - |
| Consideration receivable | 4 | **-** | 53,108 |
| Other receivable | 4 | **-** | 100,000 |
| Prepaid expenses and deposits | 8 | **21,291** | 1,150 |
| **Total current assets** | | **2,423,043** | 2,696,164 |
| | | | |
| **Non-current assets** | | | |
| Loan receivable | 7 | **-** | 408,715 |
| Investments | 5 | **-** | 638,856 |
| **Total non-current assets** | | **-** | 1,047,571 |
| | | | |
| **TOTAL ASSETS** | | **$ 2,423,043** | $ 3,743,735 |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 9 | **$ 70,198** | $ 213,936 |
| Due to related parties | 16 | **16,643** | 136 |
| Government grant loan | 10 | **40,000** | - |
| Liabilities of discontinued operations | 20 | **1,677** | 1,677 |
| **Total current liabilities** | | **128,518** | 215,749 |
| | | | |
| **Non-current liabilities** | | | |
| Government grant loan | 10 | **-** | 36,713 |
| **Total non-current liabilities** | | **-** | 36,713 |
| | | | |
| **Total liabilities** | | **128,518** | 252,462 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 11 | **61,756,937** | 61,756,937 |
| Reserves | 12,13 | **590,753** | 2,119,732 |
| Deficit | | **(60,053,165)** | (60,385,396) |
| Equity attributable to holders of the parent | | **2,294,525** | 3,491,273 |
| **Total shareholders' equity** | | **2,294,525** | 3,491,273 |
| | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **$ 2,423,043** | $ 3,743,735 |

Nature of operations and going concern (Note 1)
Subsequent event (Note 22)

APPROVED BY THE BOARD:

Signed "Chand Jagpal", Director

Signed "Michael Galloro", Director

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

## STOCK TREND CAPITAL INC. (FORMERLY, WORLD CLASS EXTRACTIONS INC.)

### CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

### FOR THE YEARS ENDED APRIL 30, 2023 AND 2022

(Expressed in Canadian Dollars)

| | Note | | 2023 | | 2022 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Interest | 5, 7 | **$** | **25,668** | $ | - |
| Net unrealized gains (losses) on investments | 5, 7 | | **12,447** | | - |
| | | | **38,115** | | - |
| **Operating expenses** | | | | | |
| General and administrative expenses | 15, 16 | | **1,253,599** | | 1,058,711 |
| Depreciation and amortization | | | **-** | | 19,059 |
| **Total operating expenses** | | | **1,253,599** | | 1,077,770 |
| **Loss before other expenses** | | | **(1,215,484)** | | (1,077,770) |
| **Other income (expenses)** | | | | | |
| Interest expense and bank charges | 10 | | **(3,537)** | | (5,269) |
| Loss on sale of subsidiaries | 4 | | **-** | | (4,719,708) |
| Impairment loss | | | **-** | | (231,873) |
| Other income | | | - | | 9,279 |
| Change in fair value of investment | 5 | | - | | (578,380) |
| Foreign exchange gain | | | **22,273** | | - |
| **Total other income (expenses)** | | | **18,736** | | (5,525,951) |
| **Loss from continuing operations** | | | **(1,196,748)** | | (6,603,721) |
| **Loss from discontinued operations** | 20 | | **-** | | (1,616,129) |
| **Net loss and comprehensive loss for the year** | | **$** | **(1,196,748)** | $ | (8,219,850) |
| **Allocation of net loss and comprehensive loss for the year** | | | | | |
| **Equity holders of the Parent** | | **$** | **(1,196,748)** | $ | (6,856,409) |
| **Non-controlling Interests** | | | **-** | | (1,363,441) |
| **Net loss for the year** | | **$** | **(1,196,748)** | $ | (8,219,850) |
| **Weighted average number of common shares outstanding - basic and diluted** | | | **625,196,572** | | 625,196,572 |
| **Loss per share for Net Loss Attributable to Equity Holders of the Parent** | | | | | |
| from continuing operations | | **$** | **(0.00)** | $ | (0.01) |
| from discontinued operations | | **$** | **-** | $ | (0.00) |
| **Basic and diluted loss per share** | | **$** | **(0.00)** | $ | (0.01) |

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

## STOCK TREND CAPITAL INC. (FORMERLY, WORLD CLASS EXTRACTIONS INC.)

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

### FOR THE YEARS ENDED APRIL 30, 2023 AND 2022

(Expressed in Canadian Dollars)

| | Number of Common Shares | Share Capital $ | Options $ | Warrants $ | Fair Value Revaluation Reserve $ | Deficit $ | Non-Controlling Interest $ | Total Shareholders' Equity $ |
|---|---|---|---|---|---|---|---|---|
| **Balance, April 30, 2021** | **625,196,572** | **61,756,937** | **1,778,667** | **1,595,525** | **-** | **(60,574,718)** | **5,184,124** | **9,740,535** |
| Cancellation or expiry of stock options | - | - | (957,961) | - | - | 957,961 | - | - |
| Expiry of warrants | - | - | - | (322,322) | | 322,322 | - | - |
| WCE shares sold by PED | - | - | - | - | 101,279 | - | 298,721 | 400,000 |
| Share-based payments | - | - | 25,823 | - | - | - | - | 25,823 |
| Gain on sale of PED attribute to NCI | - | - | - | - | - | - | 1,544,765 | 1,544,765 |
| Disposition of PED | - | - | - | - | (101,279) | 5,765,448 | (5,664,169) | - |
| Net loss from discontinued operations for the year | - | - | - | - | - | (252,688) | (1,363,411) | (1,616,129) |
| Net loss from continuing operations for the year | - | - | - | - | - | (6,603,721) | - | (6,603,721) |
| **Balance, April 30, 2022** | **625,196,572** | **61,756,937** | **846,529** | **1,273,203** | **-** | **(60,385,396)** | **-** | **3,491,273** |
| | | | | | | | | |
| **Balance, April 30, 2022** | **625,196,572** | **61,756,937** | **846,529** | **1,273,203** | **-** | **(60,385,396)** | **-** | **3,491,273** |
| Expiry of warrants | - | - | - | (1,273,203) | - | 1,273,203 | - | - |
| Cancellation or expiry of stock options | - | - | (255,776) | - | - | 255,776 | - | - |
| Net loss for the year | - | - | - | - | - | (1,196,748) | - | (1,196,748) |
| **Balance, April 30, 2023** | **625,196,572** | **61,756,937** | **590,753** | **-** | **-** | **(60,053,165)** | **-** | **2,294,525** |

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

## STOCK TREND CAPITAL INC. (FORMERLY, WORLD CLASS EXTRACTIONS INC.)

### CONSOLIDATED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED APRIL 30, 2023 AND 2022

(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|---|---|
| Cash flows from (used in) operating activities: | | |
| Net loss for the year | **$ (1,196,748)** | $ (8,219,850) |
| *Items not involving cash:* | | |
| Depreciation and amortization | **-** | 19,059 |
| Loss on disposition of subsidiaries | **-** | 4,719,708 |
| Unrealized gain on investments | **(12,447)** | 578,380 |
| Impairment loss | **-** | 231,873 |
| Lease interest | **-** | 22,740 |
| Share-based payments | **-** | 25,823 |
| Interest | **3,287** | (3,817) |
| Interest income of loan receivable | **(23,125)** | - |
| *Change in non-cash operating working capital:* | | |
| Accounts receivable | **100,000** | - |
| Accounts payable and accrued liabilities | **(143,738)** | (57,321) |
| Due from related parties | **16,507** | (24,136) |
| Sales tax receivable | **(11,711)** | (3,879) |
| Prepaid expenses | **(20,141)** | 17,327 |
| Issuance of convertible debenture | **(750,000)** | - |
| Purchase of investments | **(133,210)** | - |
| Redemption of convertible debenture | **740,000** | - |
| | **(1,431,326)** | (2,694,093) |
| **Cash flows from (used in) discontinued operations** | **-** | 1,618,288 |
| Cash flows from (used in) investing activities: | | |
| Issuance of loan receivable | **-** | (400,000) |
| Disposal of PED, cash payment | **-** | 1,911,984 |
| Cash disposed of from sale of subsidiaries | **-** | (152,048) |
| | **-** | 1,359,936 |
| **Cash flows from (used in) discontinued operations** | - | 26,983 |
| Cash flows from (used in) financing activities: | | |
| Repayment of lease obligations | - | (39,813) |
| | - | (39,813) |
| **Cash flows from (used in) discontinued operations** | - | (114,747) |
| Change in cash for the year | **(1,431,326)** | 156,554 |
| Cash, beginning of the year | **2,534,189** | 2,377,635 |
| **Cash, end of the year** | **$ 1,102,863** | $ 2,534,189 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Stock Trend Capital Inc. ("Stock Trend" or "the Company") (formerly, "World Class Extractions Inc." or "WCE") was incorporated under the laws of British Columbia on December 2, 1965. The head office of the Company is located at 301 - 217 Queen St. West, Toronto, Ontario, M5V 0R2. The registered office is located at 301 - 217 Queen St. West, Toronto, Ontario, M5V 0R2.

Stock Trend Capital Inc. is an investment issuer listed on the Canadian Securities Exchange (the "CSE"), and primarily focused on investments in the Canadian cannabis industry. Stock Trend intends to focus on investing in private and public entities with strong intellectual property, exceptional management and high growth potential that may be strategically positioned in the market.

On April 29, 2022, the shareholders approved a special resolution to change the Company's business (the "Change of Business"). The proposed Change of Business would refocus the Company's business operations from a cannabis and hemp company to an investment company focused on the raising of money and investing in the cannabis and cannabis related sectors. The Change of Business occurred on February 27, 2023, at which time, the CSE approved the listing of the Company's common shares for trading under the stock ticker "PUMP". In connection with the CSE listing, the Company completed a name change from World Class Extractions Inc., to "Stock Trend Capital Inc.". There is no change in the capitalization structure of the Company as a result of the change of name. The decision to change the name reflects the Company's change of business, pursuant to CSE policies, from a cannabis company to an investment company.

The Company is listed on the CSE under the symbol "PUMP", the Frankfurt Stock Exchange under the symbol "WCF" and "WKN:A2PF9C", and the OTCQB Venture Market, under the symbol: "WCEXF". The Financial Industry Regulatory Authority Inc. ("FINRA") approved the Company's request to change its OTC ticker symbol from WCEXF to STOCF, effective as of the opening of market trading on May 22, 2023.

Prior to the Change of Business, the Company was an innovation-driven company operating specialized compliant and secure delivery of government regulated products, including legal cannabis delivery within select provinces in Canada and liquor delivery in certain jurisdictions and was disposed of during the year ended April 30, 2022 (Note 4). Soma Labs was a designer, manufacturer, and supplier of extraction and processing equipment and solutions and was disposed of during the year ended April 30, 2022 (Note 4).

**Going Concern**

The Company incurred a net loss and comprehensive loss of $1,196,748 for the year ended April 30, 2023. As at April 30, 2023, the Company had a history of losses and an accumulated deficit of $60,053,165. Total cash as at April 30, 2023, amounted to $1,102,863.

The ability of the Company to continue as a going concern is dependent on achieving profitable operations, positive operating cash flows and obtaining the necessary financing. The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its operating activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is exerting its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

## 1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

### Going Concern (Continued)

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

## 2. BASIS OF PRESENTATION

### Statement of Compliance and Presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements are presented in Canadian dollars except where otherwise indicated.

As a result of the disposition of PED and Soma disclosed in Note 4, the net earnings of the subsidiaries have been reported as discontinued operations for the year ended April 30, 2022.

These consolidated financial statements were approved and authorized for issue by the directors of the Company on August 25, 2023.

### Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss at fair value through other comprehensive income, share-based payments, which are stated at their fair value.

### Investment Entity

The Company uses the following criteria, contained within IFRS 10 - *Consolidated financial statements*, to determine if the Company meets the definition of an Investment Entity ("Investment Entity"):

- Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital
- appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all its investments on a fair value basis.

The Company has evaluated the above criteria and determined that it meets the definition of an Investment Entity. As a result of meeting the definition of an Investment Entity, subsidiaries, which otherwise would have been consolidated, are carried at fair value.

## 2. BASIS OF PRESENTATION (Continued)

### Significant Estimates, Assumptions and Judgements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimates or assumptions are made. Actual results may differ from these estimates. The information about significant areas of estimates considered by management in preparing the consolidated financial statements is as follows:

*Income taxes*
Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

*Stock options and warrants*
Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

*Fair value of financial instruments*
Certain of the Company's financial assets and liabilities are measured at fair value. In estimating fair value the Company uses market-observable data to the extent it is available. In applying the valuation technique, management is required to determine and make assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Such assumptions are inherently uncertain and changes in these assumptions affect the fair value estimates.

*Fair value of private company investments*
Where the fair values of investments in private companies cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

The determinations of the fair value other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited.

(Expressed in Canadian Dollars)

## 2 BASIS OF PRESENTATION (Continued)

**Significant Estimates, Assumptions and Judgements (Continued)**

*Leases*
The application of IFRS 16 Leases, requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the incremental borrowing rate to measure liabilities where the interest rate in the lease is not readily available.

Significant judgments considered by management are as follows:

i. determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
ii. assessing control and significant influence over investee;
iii. factors that are used in determining the discount rates applied to investments with inherent lack of liquidity;
iv. determination of functional currency; and
v. the Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Cash and cash equivalents**

Cash and cash equivalents include cash on deposit and are held with Canadian financial institutions.

**Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries of which it has control. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company's subsidiary is as follows:

| Entity | Country of Incorporation | Operations | Interest |
|---|---|---|---|
| 1230167 BC Ltd. | Canada | Inactive | 100% |

During the year ended April 30, 2022, the Company, PED, Fire & Flower Holdings Corp. ("FFHC") and its wholly owned subsidiary Hifyre™ Inc. ("Hifyre") entered into agreements whereby Hifyre acquired 100% of the issued and outstanding shares of PED (the "Transaction"). As a result of the sale, all the Company's shares in PED have been exchanged for common shares of FFHC (Note 4).

PED's financials were consolidated in accordance with IFRS 10 Consolidated Financial Statements up to the sale of PED.

During the year ended April 30, 2022, Soma and 1323194 BC Ltd. Amalgamated and were sold to CannaWorld Ventures Inc. ("CannaWorld") (Note 4).

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Control*
The Company controls an investee if and only if the Company has:
- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support the presumption and when the Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the contractual arrangements with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-Company asset, liabilities, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

*Non-controlling Interests*
Non-controlling interests represent the portion of profit or loss and net assets not held by the Company. Non-controlling interests are presented separately in the consolidated statement of loss and comprehensive loss and within equity in the consolidated statement of financial position and consolidated statement of changes in equity, separate from equity attributable to equity holders of the Company.

**Foreign Currencies**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in foreign exchange gain (loss) of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**Related party transactions**

Parties are related if one party has control or joint control over the Company, has significant influence over the Company or is a member of key management personnel of the Company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments

The stock option plan allows the directors, officers, employees and consultants of the Company to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payments, otherwise, measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to accumulated losses (deficit).

### Financial instruments

***Financial assets***

| Financial Assets | Classification |
|---|---|
| Cash | FVTPL |
| Loan receivables | FVTPL |
| Investments | FVTPL |
| Consideration receivable | FVTPL |
| Other receivable | FVTPL |

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") and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition 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 income statement. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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 (including transaction costs) and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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

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 statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

All financial instruments are measured at fair value except for receivables which are measured at amortized cost, using the effective interest method where applicable. Subsequent measurement and changes in fair value will depend on their initial classification. FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income.

***Financial liabilities and equity instruments***

| Financial Liabilities | Classification |
|---|---|
| Accounts payable | **Amortized cost** |
| Accrued liabilities | **Amortized cost** |
| Due to related parties | **Amortized cost** |
| Liabilities of discontinued operations | **Amortized cost** |
| Government grant loan | **Amortized cost** |

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments recorded at fair value**

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments in common shares of public companies are measured using level 1 fair value measurements. Investments in warrants are measured using level 3 fair value measurements as the fair value estimate incorporates the use of option pricing models.

Investments in common shares and convertible debentures of private companies are measured using level 3 fair value measurements as the fair value estimate incorporates non-observable market inputs.

**Impairment**

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 interest receivables and loans receivable the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decreases can be objectively related to an event occurring after the impairment was recognized.

**Revenue recognition**

*Prior to the Change of Business*

The Company's revenue is comprised of the delivery of cannabis and sale of extraction systems. Revenues are recognized when delivery of cannabis has occurred and are accepted by the customer. The Company recognizes revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return. Areas of judgment include identifying the customer per the definition within IFRS 15 Revenue from Contracts with Customers and determining whether control has passed to the customer.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue recognition (Continued)**

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Sale of extraction systems and delivery of cannabis. These revenue-generating activities of the Company have a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the contract. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the services rendered by the Company.

*Subsequent to the Change of Business*

Interest income is recorded on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of income (loss) and comprehensive income (loss). Realized losses may arise even if the investment is not disposed of in circumstances where the investee is insolvent.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Other income and income from securities lending are recorded on an accrual basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares issued and outstanding during the period. Diluted earnings represent the profit or loss for the period, divided by the weighted average number of common shares issued and outstanding during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted loss per share is anti-dilutive and accordingly, the diluted loss per share would be the same as basic loss per share.

### Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' 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 provided using the 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 Company does not provide for temporary differences relating to investments in subsidiaries and joint ventures 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 reporting date applicable to the period in which realization or settlement can reasonably be expected.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from share capital.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. Subsequent to the initial recognition of warrants, any modification to the original terms of the warrants attached to units that were initially recognized in accordance with the residual value approach does not result in a re-measurement adjustment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Discontinued operations

The Company classifies disposal groups as discontinued operations if their carrying amounts are recovered principally through a sale rather than through continuing use. Such disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

A Company qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to re-sell

Loss from discontinued operations are excluded from net loss from continuing operations and are presented as a single amount under "loss from discontinued operations" account in the consolidated statement of loss and comprehensive loss.

### Government grants

Government grants are recognized at fair value once there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. A forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

### Recent accounting pronouncements

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company.

IAS 1, Presentation of Financial Statements
The IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically for the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity investments.

The amendment is effective for annual periods beginning on or after January 31, 2023. The Company expects no impact to the financial statements as a result of this amendment. The new standards and interpretations that have been issued are not expected to have a material impact on the Company's financial statements. Management anticipates that any relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

## 4. SALE OF SUBSIDIARIES

*For the year ended April 30, 2022*

*PED*
On January 21, 2022 (the "Disposition Date"), the Company completed the sale of its partially owned subsidiary, PED, to FFHC, whereby the Company received $1,911,984 for settlement of debt owed by PED to Stock Trend and an aggregate of up to 316,995 FFHC common shares ("FFHC Common Shares") with a fair value of $970,344. 62,800 FFHC Common Shares were released on closing ("Initial Release Shares") with a fair value of $243,144 and 216,145 FFHC Common Shares were placed in escrow. 16,949 FFHC Common Shares were to be released at the effective date when the net working capital is finalized and agreed upon ("Working Capital Holdback Shares") and 199,196 FFHC Common Shares were to be released at such time when the trailing nine-month revenue is finalized and agreed upon ("Revenue Holdback Shares").

On Disposition Date, the Revenue Holdback Shares were valued using Monte Carlos Simulation ("MCS") with level 3 inputs, which uses the baseline revenue forecast, as at acquisition date, through the end of the performance period. MCS captures the expected cumulative revenue, which is variable based on both randomness in the simulation coupled with volatility expectations around revenue generation. Within each iteration of the simulation, an expected present value of the payout is calculated. The model assumes the CCC Corporate Bond Credit spread of 9.93%, volatility of 50.34%, risk free rate of 0.78%, and discount rate of 15%.

On Disposition Date, the Working Capital Holdback Shares were valued using the Black Scholes option pricing model that assumes no expected dividends, weighted average expected life remaining of 0.79 (years), weighted volatility of 68.21% and risk- free rate of 1.22%. On the Disposition Date, the fair value of the Revenue Holdback Shares and Working Capital Holdback Shares were $569,319.

The Initial Release Shares and the Working Capital Holdback Shares were subject to restrictions on transfer for a period of three months following January 21, 2022 (the "Effective Date") and the Revenue Holdback Shares were subject to restrictions on transfer for a period of twelve months following the Effective Date.

Within 90 days after January 21, 2022, FFHC shall provide a calculation of an effective date net working capital statement. The Working Capital Holdback Shares will be released from escrow no earlier than 20 business days after receipt of the effective date net working capital statement and no later than 20 business days after the parties engage an independent accountant to resolve any objections in the effective date net working capital statement. Subsequent to April 30, 2022, FFHC and the Company agreed on additional shares of 38,050 for excess working capital. As the subsequent event is a result of an existing condition before April 30, 2022, the value of the shares is $157,880.

Within 30 days after September 30, 2022, FFHC shall provide an income statement and trailing nine-month revenue statement ("Revenue Statement"). The Revenue Holdback Shares will be released from escrow no earlier than 20 business days after receipt of the Revenue Statement and no later than 20 business days after the parties engage an independent accountant to resolve any objections in the Revenue Statement. If the trailing nine-month revenue exceeds the earn-out target, the Revenue Holdback Shares will be released. If the trailing nine-month revenue is less than the earn out target, the aggregate consideration amount shall be decreased, dollar for dollar, by the amount of such difference and those shares shall be cancelled, with any remaining shares released from escrow.

(Expressed in Canadian Dollars)

## 4. SALE OF SUBSIDIARIES (continued)

*For the year ended April 30, 2022 (continued)*

*PED (continued)*

During the year ended April 30, 2022, the Company recorded a loss on disposal of PED of $5,361,311 (Note 20) as outlined below:

| | April 30, 2022<br>$ |
|---|---|
| Net assets disposed attributable to equity holder of the parent (Note 20) | **(523,740)** |
| Goodwill disposed (Note 20) | **8,767,399** |
| Fair value of FFHC investment received | **(970,344)** |
| Cash received, net overpayment | **(1,911,984)** |
| Loss on sale of PED | **5,361,331** |

Prior to the sale of PED during the year ended April 30, 2022, PED sold 25,000,000 common shares of WCE for $400,000. As a result, the proceeds were recognized in shareholders' equity split between the equity holders of the Parent for $101,279 and non- controlling shareholders for $298,721.

*For the year ended April 30, 2023*

During the year ended April 30, 2023, the net working capital was finalized and agreed upon and 16,949 Working Capital Holdback Shares were released from escrow and 90,789 Revenue Holdback Shares were released from escrow upon the trailing nine-month revenue being agreed upon and classified as investments (Note 5). As of April 30, 2023, the Company held a total of 208,588 FFHC common shares as follows:

| | Total number of shares |
|---|---|
| Released on closing | 62,800 |
| Additional shares for excess working capital granted | 38,050 |
| Working capital escrow released | 16,949 |
| Revenue shares | 90,789 |
| **Balance - April 30, 2023** | **208,588** |

(Expressed in Canadian Dollars)

## 4. SALE OF SUBSIDIARIES (continued)

*Soma Labs*

*For the year ended April 30, 2022*

On April 29, 2022, the Company completed the sale of Soma Labs to CannaWorld, whereby the Company received 15,000,000 CannaWorld common shares with a fair value of $300,000. These shares are valued using the share subscription price of the most recent capital financing prior to the disposition which are considered as a level 3 input. If at any time until CannaWorld lists its common shares for trading on a stock exchange, CannaWorld issues common shares less than $0.075 to any person, other than common shares issued pursuant to this agreement, CannaWorld shall issue to the Company additional common shares that equals the difference between $750,000 divided by the lower per price share, less the number of common shares previously issued to the Company.

During the year ended April 30, 2022, the Company recorded a gain on disposal of Soma Labs of $641,623 as outlined below:

| | April 30, 2022<br>$ |
|---|---|
| Net liabilities disposed attributable to equity holder of the parent (Note 20) | **(341,623)** |
| Fair value of CannaWorld investment received | **(300,000)** |
| Gain on sale of Soma Labs | **(641,623)** |

As at April 30, 2023, amounts due from Soma totaled $Nil (April 30, 2022 - $100,000) were unsecured, receivable on demand, and without interest.

## 5. INVESTMENTS

**Marketable Securities**

The Company's marketable securities comprise of investments in common shares of Canadian and US public and private companies. The Company designates its investments in common shares as FVTPL.

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 638,856 | $ | - |
| Additions | | 149,683 | | 1,270,344 |
| Reclassification from consideration receivable | | 53,108 | | (53,108) |
| Unrealized loss in FVTPL | | (11,139) | | (578,380) |
| **Balance, end of year** | **$** | **830,508** | **$** | **638,856** |

The fair values and costs of the marketable securities are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Fair value | | | | |
| Common shares of public companies | $ | 80,508 | $ | 300,000 |
| Common shares of private company | | 750,000 | | 338,856 |
| **Fair value** | **$** | **830,508** | **$** | **638,856** |
| **Cost** | **$** | **1,406,272** | **$** | **1,256,590** |

**5. INVESTMENTS (Continued)**

**Marketable Securities (continued)**

*Fire & Flower*

*Transactions during the year ended April 30, 2022*

The Company acquired 316,955 FFHC Common Shares in connection with the sale of PED with a fair value of $970,344 (Note 4). Of the 316,955 FFHC Common Shares, 16,949 Working Capital Holdback Shares and 199,196 Revenue Holdback Shares in escrow pending completion of customary working capital adjustments and subject to PED's achievement of certain performance ‐ based milestones in the nine ‐ month period subsequent to the disposition of PED.

16,949 Working Capital Holdback Shares were valued at $53,108 using the Black Scholes option pricing model that assumes no expected dividends, weighted average expected life remaining of 0.52, weighted volatility of 67.87% and risk ‐ free rate of 2.60%.

199,196 Revenue Holdback Shares were valued at $nil using Monte Carlos Simulation ("MCS") with level 3 inputs, which uses the baseline revenue forecast, as at acquisition date, through the end of the performance period. MCS captures the expected cumulative revenue, which is variable based on both randomness in the simulation coupled with volatility expectations around revenue generation. Within each iteration of the simulation, an expected present value of the payout is calculated. The model assumes the CCC Corporate Bond Credit spread of 10.74%, volatility of 50.34%, risk free rate of 1.66%, and discount rate of 15%.

As at April 30, 2022, such FFHC Common Shares with a fair value of $53,108 were classified as consideration receivable. Subsequent to April 30, 2022, 16,949 FFHC Common Shares were released from the escrow.

During the year ended April 30, 2022, the Company recorded an unrealized loss on investment through profit and loss of $578,380, of which $505,120 pertains to the change in the fair value of the Revenue Holdback Shares.

*Transactions during the year ended April 30, 2023*

As of April 30, 2023, the Company holds 208,588 FFHC common shares including 90,899 Revenue Holdback Shares released from escrow and valued these common shares at $nil. Subsequent to April 30, 2023, FFHC was granted creditor protection by the court, delisted, and assets were auctioned by FTI Consulting Canada Inc. in its capacity as court-appointed monitor of FFHC in accordance with the court approved sale and investment solicitation process.

During the year ended April 30, 2023, the Company recorded an unrealized loss on investment through profit and loss of $391,965.

*CannaWorld*

Pursuant to the disposition of Soma, during the year ended April 30, 2022, the Company acquired 15,000,000 common shares of CannaWorld, a private company incorporated in British Columbia, with a fair value of $300,000 (Note 4).

As of April 30, 2022, CannaWorld common shares were valued at $300,000, which was based on the most recent financing following the year-end date.

## 5. INVESTMENTS (Continued)

*CannaWorld (continued)*

As of April 30, 2023, CannWorld common shares are valued at $750,000 using the market approach with the following key assumptions:

- Timing of the most recent capital financing of the investee;
- Type of common shares issued in the most recent capital financing of the investee; and
- Pooling agreement and additional share rights.

During the year ended April 30, 2023, the Company recorded an unrealized gain on investment through profit and loss of $ 450,000 (2022 - $nil).

*IM Cannabis Corp.*

On February 1, 2023, the Company acquired 80,000 units of IM Cannabis Corp ("IMCC"), a Canadian public company, at of $1.33 (US$1.25) per unit for a consideration of $133,210 (US$100,000). Each unit consists of one common share and one share-purchase warrant. Each warrant entitles a holder to purchase one common share at US$1.50 per share for a period of 36 months following the issuance date. The shares and warrants of IMCC are initially measured using the residual method which first allocates value to the more easily measurable component based on fair value (common shares) and then the residual value, if any, to the less easily measurable component (warrants). The shares are valued at $133,210 and the warrants are valued at $nil on the acquisition date.

As of April 30, 2023, IMCC shares were valued at $78,861 based on the published market price on the year-end date. During the year ended April 30, 2023, the Company recorded an unrealized loss on investment through profit and loss of $54,349.

*Hash Corporation*

In February 2023, the Company acquired 329,452 common shares of The Hash Corporation ("HashCo") in connection with conversion of the loan debenture with a balance of $16,473 (Note 6). As of April 30, 2023, HashCo shares were valued at $1,647 based on the published market price on the year-end date. During the year ended April 30, 2023, the Company recorded an unrealized loss on investment through profit and loss of $14,825.

**Investment in Warrants**

Warrants have been received as attachments to share-purchase units and do not trade in an active market. At the time of purchase, the unit cost is allocated to common shares and warrants using the residual value method. The value of the warrants is subsequently determined at the measurement date using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

## 5. INVESTMENTS (Continued)

**Investment in warrants (continued)**

The Company's investment in warrants consists of share-purchase warrants of IMCC which are measured at fair value using the Black Scholes option pricing model.

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, beginning of year | $ | - | $ | - |
| Addition – 80,000 warrants | | - | | - |
| Change in fair value of warrants | | 47,681 | | - |
| **Balance, end of year** | **$** | **47,681** | **$** | **-** |

The fair value of investment in IMCC warrants is estimated by using the Black-Scholes option pricing model with the following assumptions:

| | 2023 | 2022 |
|---|---|---|
| Risk-free interest rate | 3.72% | - |
| Expected life of options | 2.76 years | - |
| Annualized volatility | 123.64% | - |
| Dividend rate | 0.00% | - |

With all other assumptions held constant, a change of 10% in the annualized volatility would result in a change of $12,819 on the fair value of investment in options and warrants as at April 30, 2023.

## 6. SALES TAX RECEIVABLE

The amount consists of the refunds claimed for goods and services tax from the government. The balance as at April 30, 2023 is $19,428 (April 30, 2022 - $7,717).

## 7. LOANS RECEIVABLE

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 408,715 | $ | - |
| Addition | | 750,000 | | 400,000 |
| Interest | | 23,125 | | 8,715 |
| Settlement in cash | | (740,000) | | - |
| Conversion to investee's shares | | (16,473) | | - |
| Change in fair value of loan receivable | | (24,095) | | - |
| **Balance, end of year** | **$** | **401,272** | **$** | **408,715** |

*The Hash Corporation*

On February 24, 2023, HashCo issued a secured convertible debenture ("Debenture") in the amount of $750,000 (the "Debenture") to the Company. The Debenture bore an interest at 5% per annum and matured on May 31, 2023. The Debenture including the principal balance and accrued interest is convertible, at the holder's discretion, into common shares of HashCo at $0.05 per share.

## 7. LOAN RECEIVABLE (Continued)

*The Hash Corporation (continued)*

On April 28, 2023, the Company and HashCo entered into a debenture settlement agreement whereby $740,000 was repaid in cash and $16,473 was converted into 329,452 shares of HashCo with a fair value of $16,473 (Note 5). Of $16,473, $10,000 was the principal balance and $6,473 was the accrued interest.

During the year ended April 30, 2023, the Company recorded interest income of $6,473.

*CannaWorld Venture Inc.*

During the year ended April 30, 2022, a promissory note with a principal balance of $400,000 was issued to the Company ("Loan Receivable"), it was, as amended, due on or before October 14, 2023 ("Maturity Date"). Interest is payable at a rate of 4% per annum on the Maturity Date.

During the year ended April 30, 2023, the Loan Receivable was reassigned to a new debtor (the "Debtor"). The term has been amended whereby in the event that the Debtor raises at any time an aggregate of $5,000,000 in cash through the sale of common shares in the capital of the Debtor at a price of at least $0.10 per Debtor share, the Debtor shall repay the amount outstanding under the Loan Receivable, inclusive of principal and interest (the "Debt Amount") owing through the issuance of the Debtor's shares at a deemed price of $0.10 per Debtor share. If at any time until the Debtor lists its shares for trading on a stock exchange or other alternative trading system, Debtor issues common shares less than $0.10 to any person, the Debtor shall issue to the Company additional common shares that equals the difference between the Debt Amount divided by the lower per price share, less the number of common shares previously issued to the Company.

Upon reassignment of the Loan Receivable, the Company designated the financial instruments as a whole as FVTPL. As of April 30, 2023, the Loan Receivable is measured with an effective interest rate of 17.5% with the following key assumptions and inputs:

- Observable bond yields of CCC- rated bonds in the healthcare and cannabis sectors;
- Effective interest rate of convertible debentures issued by publicly traded companies comparable to CannaWorld, specifically, companies that operate in the cannabis sector;
- Venture capital rate of return for early-stage companies; and
- Probability of the condition being met for exercise of the conversion feature.

As of April 30, 2023, the fair value of the Loan Receivable including the principal balance and accrued interest is $401,272 (2022 - $408,715).

During the year ended April 30, 2023, the Company recorded interest income of $16,652 (2022 - $8,715).

(Expressed in Canadian Dollars)

## 8. PREPAID EXPENSES AND DEPOSITS

| | **April 30, 2023** | April 30, 2022 |
|---|---|---|
| | **$** | $ |
| Rent security deposit | **-** | 1,150 |
| Other prepayments to vendors | **21,291** | - |
| **Prepaid Expenses and Deposits** | **21,291** | 1,150 |

*Rent security deposits*
Rent security deposits pertain to prepaid amounts for damages that might be claimed against a leased property. These can be claimed in full or in part at the end of the lease subject to actual charges.

*Other prepayments*
Other prepayments include various advance payments to suppliers for purchases and services.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **April 30, 2023** | April 30, 2022 |
|---|---|---|
| | **$** | $ |
| Accounts payable | **27,840** | 32,145 |
| Accrued liabilities | **42,358** | 181,791 |
| **Accounts payable and accrued liabilities** | **70,198** | 213,936 |

Accounts payable are generally trade payables, non-interest bearing and are settled on 30 to 60-day payment terms. Accruals include liabilities for remuneration and benefits, interest, and other expenses billed after the reporting period. As of April 30, 2023, an accrual of $Nil (April 30, 2022 - $100,756) was recorded for an overpayment pursuant to the PED credit facility agreement. Accrued liabilities are generally settled within 12 months from end of reporting period.

## 10. GOVERNMENT GRANT LOAN

| | **April 30, 2023** | April 30, 2022 |
|---|---|---|
| | **$** | $ |
| CEBA Loan | 40,000 | 36,713 |
| **Government Grant Loan** | **40,000** | **36,713** |

Due to the global outbreak of Novel Coronavirus (“COVID-19”), the federal government of Canada introduced the Canada Emergency Business Account (“CEBA”). CEBA provides an interest-free loan (“CEBA Loan”) of $40,000 to eligible businesses. The Company received $40,000 loans from the Government as part of the CEBA. The CEBA Loan has an initial term that expired on December 31, 2022, throughout which, the CEBA Loan remained interest free. The CEBA Loan initial term was extended to December 31, 2023. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

## 10. GOVERNMENT GRANT LOAN (Continued)

Pursuant to *IAS 20, Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below – market rate is treated as a government grant and measured in accordance with IFRS 9, Financial Instruments. The benefit of below market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The initial carrying value of each CEBA loan was $26,880, discounted at 15%, which was the estimated market rate for a similar loan without the interest-free component. The difference of $13,120 was accreted to CEBA Loan liability over the term and offset to profit or loss. During the year ended April 30, 2023, total interest expense of $3,287 (2022 - $4,897) was recorded and the initial carrying value was fully accreted to $40,000 as at April 30, 2023 (April 30, 2022 - $36,713).

## 11. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

No share capital activity was initiated during the years ended April 30, 2023 and 2022.

## 12. SHARE-BASED COMPENSATION

**Stock Option Plan ("SOP")**

The Company maintains a stock option plan under which directors, officers, employees and consultants of the Company (the "Grantees") and its affiliates are eligible to receive stock options. Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At April 30, 2023, there are a total of 38,609,657 (April 30, 2022 - 37,519,657) stock options available for granting under the SOP.

The SOP is intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees and consultants, and to motivate such persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

During the year ended April 30, 2023:

i) there were no stock options granted and share-based payments recognized.

ii) 1,090,000 stock options were cancelled/forfeited.

During the year ended April 30, 2022:

i) On June 1, 2021, the Company granted a total of 2,000,000 stock options to certain officers of the company's subsidiary. The options have an exercise price of $0.05 per share and expire on June 1, 2026. The options vested at a rate of 75% upon the date of the grant and the remaining 25% six months thereafter.

(Expressed in Canadian Dollars)

## 12. SHARE-BASED COMPENSATION

**Stock Option Plan ("SOP") (Continued)**

ii) The Company recognized share-based payments of $25,823 in statement of loss and comprehensive loss for the year ended April 30, 2022.

iii) 19,610,000 stock options were cancelled/forfeited.

The following summarizes the stock options activities:

| | **April 30, 2023** | | **April 30, 2022** | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price $** | **Number of Options** | **Weighted Average Exercise Price $** |
| Outstanding, beginning of year | **25,000,000** | **0.05** | 42,610,000 | 0.06 |
| Grant and issuance | **-** | **-** | 2,000,000 | 0.05 |
| Cancelled/Forfeited | **(1,090,000)** | **0.06** | (19,610,000) | 0.08 |
| Total Outstanding | **23,910,000** | **0.05** | 25,000,000 | 0.05 |
| Total Outstanding and Exercisable | **23,910,000** | **0.05** | 25,000,000 | 0.05 |

During the year ended April 30, 2023, the Company transferred $255,776 (2022 - $957,961) from reserves to deficit for stock options forfeited and options that expired unexercised.

The following summarizes the stock options outstanding at April 30, 2023:

| **Expiry Date** | **Exercise Price** | **Weighted Average Contractual Life (Years)** | **Number of Options Issued and Outstanding** | **Number of Options Exercisable** |
|---|---|---|---|---|
| April 23, 2024 | $ 0.05 | 0.98 | 15,900,000 | 15,900,000 |
| May 26, 2024 | $ 0.05 | 1.07 | 8,010,000 | 8,010,000 |
| | | 1.01 | 23,910,000 | 23,910,000 |

For valuation purposes, the fair values of compensation options granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

| | **April 30, 2023** | April 30, 2022 |
|---|---|---|
| Volatility Rate | - | 115% |
| Risk-free rate | - | 0.91% |
| Forfeiture rate | - | 0% |
| Exercise price | - | $0.05 |
| Share price | - | $0.02 |
| Dividend yield rate | - | 0% |
| Weighted average life | - | 5.00 years |

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

(Expressed in Canadian Dollars)

## 13. WARRANTS

No warrant activity was initiated during the years ended April 30, 2023 and 2022.

During the year ended April 30, 2023, 15,910,575 warrants expired unexercised (April 30, 2022 - 3,000,000).

The following is a summary of warrant transactions:

| | **April 30, 2023** | | April 30, 2022 | |
|---|---|---|---|---|
| | **Number of Warrants** | **Weighted Average Exercise Price $** | Number of Warrants | Weighted Average Exercise Price $ |
| Balance, beginning of year | **15,910,575** | **0.13** | 18,910,575 | 0.14 |
| Expired | **(15,910,575)** | **0.13** | (3,000,000) | 0.18 |
| Balance, end of year | **-** | **-** | 15,910,575 | 0.13 |

During the year ended April 30, 2023, the Company transferred $1,273,203 (2022 - $322,322) from reserves to deficit for warrants that expired unexercised.

(Expressed in Canadian Dollars)

## 14. FAIR VALUE MEASUREMENTS

The following table presents the Company's financial assets as categorized on the statement of financial position measured at fair value and classified into levels of the fair value hierarchy:

| | Fair value measurement | Classification | April 30, 2023 $ | April 30, 2022 $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash | | FVTPL | 1,102,863 | 2,534,189 |
| Loan receivable | Level 3 | FVTPL | 401,272 | 408,715 |
| Investments in common shares of public companies | Level 1 | FVTPL | 80,508 | 338,856 |
| Investment in warrants | Level 2 | FVTPL | 47,681 | - |
| Investments in common shares of private companies | Level 3 | FVTPL | 750,000 | 300,000 |
| **Financial liabilities** | | | | |
| Accounts payable | | Amortized cost | 70,198 | 213,936 |
| Due to related parties | | Amortized cost | 16,643 | 136 |
| Government grant loan | | Amortized cost | 40,000 | 36,713 |

***Fair value estimation***

The Company's management team reviews and approves the valuation results of all investments in the portfolio based on all observable and non-observable inputs. The Company also will engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the Company's consolidated financial statements.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quote 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.

Investments in common shares of public companies are measured using level 1 fair value measurements (Note 5).

Investments in warrants are measured using level 3 fair value measurements as the fair value estimate incorporates the use of option pricing models (Note 5 and 17).

Investments in common shares and loan receivable of private companies are measured using level 3 fair value measurements as the fair value estimate incorporates non-observable market inputs (Notes 5, 7 and 17).

(Expressed in Canadian Dollars)

## 15. GENERAL AND ADMINISTRATIVE

| | **Year ended April 30, 2023** **$** | Year ended April 30, 2022 $ |
|---|---|---|
| Consulting fees | **200,643** | 93,385 |
| Filing fees | **70,598** | 74,786 |
| Lease interest | **-** | 976 |
| Office expenses | **29,523** | 66,259 |
| Director fees | **32,921** | - |
| Management fees | **67,000** | 135,000 |
| Professional fees | **456,873** | 163,669 |
| Remuneration and benefits | **358,891** | 454,718 |
| Rent | **37,150** | 44,095 |
| Share-based payments | **-** | 25,823 |
| | **1,253,599** | 1,058,711 |

## 16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

**Summary of key management personnel compensation:**
Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The Company had the following transactions with related parties during the following years ended:

| | **April 30, 2023** **$** | April 30, 2022 $ |
|---|---|---|
| Management fees | **206,000** | 135,000 |
| Director fees | **32,921** | - |
| Accounting fees | **30,855** | 2,396 |
| Remuneration and benefits | **155,950** | 153,042 |
| Remuneration and benefits from discontinued operations | **-** | 444,190 |
| Other | **12,610** | - |
| Share-based payments | **-** | 25,823 |
| | **438,337** | 760,451 |

- Management fees reported consist of $139,000 (2022- $75,000) paid to a company of which the former President of the Company has significant interest and $55,000 (2022- $60,000) was paid to a company controlled by the former CFO. Management fees reported consist of a total of $12,000 paid to the current officers of the Company.
- Director fees consist of $32,921 (2022 - $Nil) paid to current directors of the Company.
- Accounting fees consist of $30,855 (2022 - $2,396) paid to a company in which the director is an employee.
- Remuneration and benefits consist of $155,950 to the former CEO of the Company (2022 - $153,042).
- Remuneration and benefits from discontinued operations reported as part of discontinued operations consist of $Nil (2022- $231,690 to CEO of PED, $106,250 to the CFO of PED and $106,250 to the CTO of PED).
- Share-based payments consist of $Nil (2022- $12,912 to the CEO of PED and $12,911 to the CTO of PED).

## 16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (Continued)

During the year ended April 30, 2022, in connection with the disposal of subsidiary, $676,784 was repaid to the Company (Note 4).

As at April 30, 2023, amounts due to related parties totaled $16,643 (April 30, 2022 - $136), owing to a current director of the Company for reimbursable expenses. These amounts are unsecured, payable on demand, and without interest.

## 17. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance. The Company's investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements.

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest, credit and currency risks. A discussion of the Company's use of financial instruments and their associated risks is provided below. There has been no change to the Company's risk management policies or processes during the period.

*(a) Liquidity risk*

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its operational activities and the proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient investments which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company's financial liabilities include accounts payable and accrued liabilities The carrying amount of these financial liabilities approximate their respective fair values due to their short-term maturities. Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. All the Company's liabilities are due within the next twelve months.

(Expressed in Canadian Dollars)

## 17. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS (continued)

The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Company's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, the Company may procure debt or equity financing from time to time to fund its operations.

*(b) Market risk*

The Company is exposed to certain market risk that the value of the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavorable market conditions could result in dispositions of investments at less than favorable prices. Additionally, the Company is required to mark to market its FVTPL investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company monitors changes in the market on an ongoing basis and adjusts its lending and investing practices and policies when necessary to reduce the impact of the above risks.

The Company's investments include publicly listed entities that are listed on a Canadian and United States stock exchange and private companies. Changes in the fair value of investments designated as FVTPL are reported in the statement of income and comprehensive income.

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the year ended April 30, 2023, from a change in effective interest rate of the Company's investments in convertible debentures of private companies, with all other variables held constant as at April 30, 2023:

| Percentage of change in effective interest rate | Change in comprehensive income/loss from % increase in effective interest rate | Change in comprehensive income/loss from % decrease in effective interest rate |
|---:|---:|---:|
| 14.3% | (2,320) | 3,970 |

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the year ended April 30, 2023, from a change in closing price of the Company's investments in common shares of private companies, with all other variables held constant as at April 30, 2023:

| Percentage of change in closing price | Change in comprehensive income/loss from % increase in closing price | Change in comprehensive income/loss from % decrease in closing price |
|---:|---:|---:|
| 10% | 75,000 | (75,000) |

The following table shows the estimated sensitivity on the statement of loss and comprehensive loss for the year ended April 30, 2023, from a change in volatility of the Company's investments in warrants, with all other variables held constant as at April 30, 2023:

| Percentage of change in volatility | Change in comprehensive income/loss from % increase in volatility | Change in comprehensive income/loss from % decrease in volatility |
|---:|---:|---:|
| 10% | 12,819 | (12,819) |

## 17. MANAGEMENT OF FINANCIAL RISK AND SENSITIVITY ANALYSIS (continued)

(c) Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

Should market interest rates rise, then the fair value of these convertible debentures and term debt may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The effect of changes in interest rates on the fair value of these debt instruments is partially muted by the nature of the investments. Convertible debentures placed in early-stage investees are typically less sensitive to changes in market interest rates than non-convertible debt instruments placed in more mature investees. As the convertible debentures have fixed interest rates, the Company is not subject to significant interest rate risk.

(d) Credit risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. Senior management is committed to several processes to ensure that this risk is appropriately mitigated. These include:

• obtaining collateral guarantees;
• the investigation of the creditworthiness of all borrowers;
• the engagement of qualified independent consultants such as lawyers and real estate appraisers, to whom management may reach for professional advice;
• the segregation of duties to ensure that qualified staff are satisfied with all due diligence requirements prior to funding; and
• the prompt initiation of recovery procedures on overdue loans.

(e) Currency risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar. Fluctuations in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

The Company has cash and investments in companies denominated in a foreign currency. For the year ended April 30, 2023, management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net loss for the year would have increased or decreased by approximately $27,625 (2022 - $34,537).

The functional currency of the Company is Canadian dollar. The Company does not hedge its exposure to currency fluctuations. However, management believes that the Company is subject to minimal foreign exchange risk as most transactions incurred are in CAD.

## 18. CAPITAL MANAGEMENT

The primary goals of the Company’s risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company’s objectives and risk tolerance. The Company’s investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company’s financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward are achieved through aligning risk tolerance with the Company’s business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties. For the year ended April 30, 2023, the shareholders’ equity comprised of share capital, contributed surplus and deficit.

The Company’s objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
(b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
(c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends; and
(d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk of its underlying assets. The Company has the ability to maintain or adjust its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the disposition of its investments;
(b) utilizing leverage in the form of margin (due to brokers) and long-term debt from financial lenders; and
(c) raising capital through equity financings.

There were no changes in the Company’s approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

## 19. SEGMENTED INFORMATION

During the year ended April 30, 2023, the Company's operations comprise of one principal reporting segment - corporate and development (2022 - corporate and development and discontinued operations). The reportable segments were determined based on the nature of the services provided and goods sold. All the Company's assets were situated in Canada.

Reportable segments are defined as components of an enterprise about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

| April 30, 2022 | Corporate and development $ | Discontinued operations $ | Total $ |
|---|---|---|---|
| Corporate general and administrative expenses | (1,037,180) | - | (1,037,180) |
| Change in FV of investment | (578,380) | - | (578,380) |
| Impairment | (231,873) | - | (231,873) |
| Interest income | 9,279 | - | 9,279 |
| Depreciation and amortization | (19,059) | - | (19,059) |
| Stock-based compensation | (25,823) | - | (25,823) |
| Loss on sale of subsidiaries | (4,719,708) | - | (4,719,708) |
| Lease interest | (977) | - | (977) |
| Loss from continuing operations | (6,603,721) | - | (6,603,721) |
| Loss from discontinued operations | - | (1,616,129) | (1,616,129) |
| Reportable segment assets | 3,743,735 | - | 3,743,735 |
| Reportable segmented liabilities | 250,785 | 1,677 | 252,462 |

(Expressed in Canadian Dollars)

## 20. DISCONTINUED OPERATIONS

During the year ended April 30, 2022, the Company sold its subsidiaries, PED, and Soma (Note 4). The sale of the subsidiaries meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The subsidiaries were not previously classified as held-for-sale or as a discontinued operation.

As at April 30, 2023, the liabilities of discontinued operations recognized in the consolidated statements of financial position relate to the customer deposits and accounts payable amounting to $1,677 (April 30, 2022 – $1,677).

The financial performance results of the discontinued operations, which are presented as a net amount on the consolidated statements of loss and comprehensive loss, are summarized below:

| PED | Period from May 1, 2021 to January 21, 2022 $ |
|---|---|
| Sales | 7,074,315 |
| Cost of sales | (5,641,119) |
| Gross profit | 1,433,196 |
| Selling Expense | - |
| Depreciation | 278,751 |
| Administrative expenses | 1,034,720 |
| Lease interest | 60,955 |
| Professional fees | 230,820 |
| Transaction costs | 144,119 |
| Rent | 187,172 |
| Remunerations and benefits | 1,082,635 |
| Total operating expense | 3,019,172 |
| Loss before other expenses | (1,585,976) |
| Other income (expenses) Acquisition fees | - |
| Interest and bank charges | (602,309) |
| Unrealized gain on conversion feature | 362,581 |
| Other income | - |
| Total other income (expenses) | (239,728) |
| Loss from discontinued operations | (1,825,704) |
| Allocation of income (loss) from discontinued operations: | |
| Equity holder of the parent | (462,263) |
| Non-controlling interest | (1,363,441) |
| Income (loss) from discontinued operations | (1,825,704) |

(Expressed in Canadian Dollars)

## 20. DISCONTINUED OPERATIONS (Continued)

| **Soma Labs** | **Period form May 1, 2021 to April 29, 2022** <br> **$** |
|---|---|
| Sales | **100,000** |
| Cost of sales | **(100,000)** |
| Gross profit | **-** |
| | |
| Selling | - |
| Consulting | **5,527** |
| Depreciation | **12,538** |
| Administrative expenses | **10,569** |
| Impairment | **-** |
| Lease interest | **3,172** |
| Professional fees | - |
| Rent | **67,363** |
| Bad debt expenses | **48,989** |
| Research and development | **-** |
| Remunerations and benefits | **13,030** |
| Shop expense | **-** |
| Total operating expense | **161,188** |
| | |
| Loss before other expenses | **(161,188)** |
| | |
| Other income (expenses) | |
| Interest and bank charges | **(5,966)** |
| Gain on lease liability | **211,105** |
| Gain on asset disposal | **165,624** |
| Customer deposit write-down | **-** |
| Government grant | **-** |
| CEWS | **-** |
| CERS | **-** |
| Other income | **-** |
| Total other income (expenses) | **370,763** |
| | |
| Income (loss) from discontinued operations | **209,575** |
| | |
| Allocation of income (loss) from discontinued operations: | |
| Equity holder of the parent | **209,575** |
| Non-controlling interest | **-** |
| Income (loss) from discontinued operations | **209,575** |

(Expressed in Canadian Dollars)

## 20. DISCONTINUED OPERATIONS (Continued)

As at January 21, 2022, the date of disposition, the net assets (liabilities) of PED derecognized totaled $6,698,895 as detailed below:

| PED | $ |
|---|---|
| Cash | 8,385 |
| Accounts receivables | 595,656 |
| Other receivables | 316,365 |
| Prepaids | 266,829 |
| Plant and equipment | 868,216 |
| Right-of-use-assets | 951,852 |
| Intangibles | 548,237 |
| Accounts payable and accrued liability | (977,476) |
| Current portion of lease obligations | (46,460) |
| Long term portion of lease obligations | (996,625) |
| Derivative liability | (353,652) |
| Government grant | (35,448) |
| Convertible debenture | (2,689,154) |
| Due to related party | (299,875) |
| Factoring loan | (70,354) |
| Loans payable | (155,000) |
| Net assets (liabilities) | (2,068,504) |
| | |
| Net assets (liabilities) attributable non controlling interest | (1,544,764) |
| Net assets (liabilities) attributable to equity holder of the parent | (523,740) |
| Total net assets (liabilities) | (2,068,504) |
| Goodwill | 8,767,399 |
| **Total net assets (liabilities) derecognized** | **6,698,895** |

As at January 21, 2022, the date of disposition, the non-controlling interest and reserves that were derecognized to deficit totaled $5,765,448, as detailed below:

| | |
|---|---|
| Fair value revaluation reserve | 101,279 |
| Non-controlling interest | 5,664,169 |
| **Total** | **5,765,448** |

(Expressed in Canadian Dollars)

## 20. DISCONTINUED OPERATIONS (Continued)

The financial information of PED, WCE's subsidiary that was disposed of during the year ended April 30, 2022, that had a material non-controlling interest is provided below. As at April 30, 2022, WCE has Nil% interest in PED and non-controlling stockholders have 100% in PED.

The table below summarizes the movements in NCI:

| **PED** | **April 30, 2022** **$** |
|---|---|
| Beginning balance | 5,184,124 |
| Addition | 298,721 |
| Net loss from discontinued operations | (1,363,4410) |
| Gain on sale of PED | 1,544,765 |
| Disposition of subsidiary | (5,664,169) |
| **Ending balance** | - |

As at April 29, 2022, the date of disposition, the net assets (liabilities) of Soma Labs derecognized totaled $341,623, as detailed below:

| **Soma Labs** | **$** |
|---|---|
| Cash | 143,663 |
| Sales tax receivable | 10,970 |
| Prepaids | 2,296 |
| Plant and equipment | 54,527 |
| Accounts payable and accrued liability | (167,967) |
| Liabilities of discontinued operations | (7,201) |
| Customer deposits | (341,211) |
| Government grant | (36,700) |
| **Total net assets (liabilities) derecognized** | (341,623) |

The financial information of Soma Labs, WCE's subsidiary that was disposed of during the year ended April 30, 2022, is provided below. As at April 30, 2022, WCE has Nil% interest in Soma Labs.

(Expressed in Canadian Dollars)

## 21. DEFERRED INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the year ended April 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Net loss before tax | **(1,196,748)** | (8,219,850) |
| Statutory tax rate | **27%** | 27% |
| Expected income tax (recovery) | **(323,000)** | (2,219,000) |
| Non-deductible items and other | **(8,000)** | 1,352,000 |
| Change in estimates | **1,554,000** | (1,226,000) |
| Adjustment to prior years provision versus statutory tax returns | **2,111,000** | (421,000) |
| Disposition of subsidiaries | **-** | 5,887,000 |
| Change in deferred tax assets not recognized | **(3,334,000)** | (3,373,000) |
| Total income tax expense (recovery) | **-** | - |

The unrecognized deductible temporary differences as at April 30, 2023 and April 30, 2022 is comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Non-capital losses | **27,392,593** | 18,314,815 |
| Property and equipment | **-** | 355,556 |
| Intangible assets | **-** | 13,766,667 |
| Marketable securities | **97,000** | - |
| Allowable capital losses | **74,074** | 7,740,741 |
| Total unrecognized deductible temporary differences | **27,563,667** | 40,177,778 |

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $27,391,000 (2022 - $18,316,383) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| Expiry | $ | Expiry | $ |
|---|---|---|---|
| 2026 | 115,393 | 2035 | 199,371 |
| 2027 | 132,810 | 2036 | 173,370 |
| 2028 | 112,197 | 2037 | 138,825 |
| 2029 | 115,495 | 2038 | 165,930 |
| 2030 | 764,903 | 2039 | 77,742 |
| 2031 | 114,626 | 2040 | 13,323,249 |
| 2032 | 140,219 | 2041 | 1,251,964 |
| 2033 | 135,075 | 2042 | 9,121,125 |
| 2034 | 127,825 | 2043 | 1,256,188 |

## 22. SUBSEQUENT EVENT

On August, 1, 2023, the Company closed the strategic investment to acquire over 20% interest in 2624465 Ontario Inc. ("YOUNET"). YOUNET is a privately held Canadian company developing an artificial intelligence ("AI") platform called Rabbit AI. Rabbit AI is being designed to handle tasks normally done by a personal assistant. The consideration was satisfied through: (i) $250,000 paid in cash upon closing the Acquisition (the "Cash Consideration"), and (ii) the issuance of 27,500,000 common shares at $0.011 per common share.