Sweet Poison Spirits Inc.
(formerly Yellow Stem Tech Inc.)

Consolidated Financial Statements

For the years ended April 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sweet Poison Spirits Inc. (formerly Yellow Stem Tech Inc.)

Opinion

We have audited the accompanying consolidated financial statements of Sweet Poison Spirits Inc. (formerly Yellow Stem Tech Inc.) (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2023 and 2022 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated 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 ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a loss of $954,126 during the year ended April 30, 2023 and, as of that date, the Company had a working capital deficiency of $538,248. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Peter Maloff.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

October 3, 2023

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at		April 30, 2023		April 30, 2022
Assets				
Current				
Cash	$	**312**	$	270,100
Amounts receivable		**15,751**		2,014
Other receivable (note 5)		**13,562**		-
Prepaid expenses (note 1)		**-**		4,350
Total Current Assets		**29,625**		276,464
Non-Current assets				
Fixed assets		**2,766**		4,609
Distribution rights (notes 5 and 6)		**111,486**		-
Data centre equipment (notes 1 and 3)		**101,715**		672,893
Total Assets	$	**245,592**	$	953,966
Liabilities				
Current				
Trade and other payables (note 14)	$	**194,353**	$	96,141
Advances payable (note 8)		**373,520**		373,520
Total Liabilities		**567,873**		469,661
(Deficiency) / Equity				
Share capital (note 9)		**5,010,145**		4,862,605
Subscriptions receivable (note 9)		**(10,000)**		(10,000)
Reserves (note 9)		**90,860**		90,860
Accumulated deficit		**(5,413,286)**		(4,459,160)
Total (Deficiency) / Equity		**(322,281)**		484,305
Total Liabilities and (Deficiency) / Equity	$	**245,592**	$	953,966

Basis of preparation and going concern (note 2)
Subsequent events (notes 1,5 and 15)

APPROVED ON BEHALF OF THE DIRECTORS:

"Robert Eadie"	*"Gary Arca"*
Robert Eadie, Director	Gary Arca, Director

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the year ended April 30,		**2023**		2022
Expenses:				
Amortization expense (note 6)	**$**	**1,014**	$	-
Audit and accounting fees (note 14)		**61,248**		36,937
Foreign exchange loss (gain)		**2,462**		(4,900)
Legal and corporate services		**38,373**		61,195
Management and consulting fees (note 14)		**66,000**		51,000
Office, rent and administration (note 14)		**32,070**		41,730
Research and development (note 7)		**-**		420,175
Shareholder communications and marketing		**31,557**		16,997
Transfer agent and filing fees		**29,378**		23,767
Travel and accommodations		**40,806**		25,624
Total expenses		**(302,908)**		(672,525)
Other items				
Amounts payable forgiven (note 14)		**-**		83,855
Write down of data centre equipment (note 3)		**(571,178)**		-
Write down of prepaid expenses (note 1)		**(80,040)**		-
Total other items		**(651,218)**		83,855
Total loss and comprehensive loss for the year	**$**	**(954,126)**	$	(588,670)
Basic and diluted loss per share for the year	**$**	**(0.04)**	$	(0.05)
Weighted average shares outstanding – basic and diluted - note 11		**23,379,409**		11,530,597

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the year ended April 30,	2023	2022
Cash provided by (used in):		
Operating activities		
Loss for the year	$ (954,126)	$ (588,670)
Items not involving cash:		
Amortization and depreciation	2,857	1,844
Trade and other payables forgiven	-	(83,855)
Write down of data centre equipment (note 3)	571,178	-
Write down of prepaid expenses (note 1)	80,040	-
Cash spent in operating activities before working capital changes	(300,051)	(670,681)
Change in non-cash working capital items		
Amounts receivable	(13,737)	(1,421)
Other receivable	(13,562)	-
Prepaid expenses	4,350	7,629
Trade and other payables	92,212	28,098
Cash outflow for operating activities	(230,788)	(636,375)
Investing activities		
Deposit	-	(672,893)
Legal/corporate costs included in distribution rights	(39,000)	-
Cash outflow for investing activities	(39,000)	(672,893)
Financing activities		
Share issuances	-	1,187,500
Share issue costs	-	(52,000)
Advances, net of repayments	-	431,520
Cash inflow for financing activities	-	1,567,020
Total increase / (decrease) in cash	(269,788)	257,752
Cash, beginning of year	270,100	12,348
Cash, end of year	$ 312	$ 270,100

During the years ended April 30, 2023 and 2022, the Company entered into the following non-cash transactions:

For the year ended April 30,	2023	2022
Cash paid for taxes and interest	$ -	$ -
Shares issued for prepaid expenses (note 1)	$ 80,040	$ -
Shares and finder's fees issued for distribution rights (note 5)	$ 67,500	$ -
Distribution rights cost included in accounts payable	$ 6,000	$ -
Finders' warrants issued as share issuance costs	$ -	$ 7,200
Private placement accrued through subscriptions receivable	$ -	$ 10,000
Shares issued to settle trade and other payables	$ -	$ 60,625
Shares issued to settle advances payable	$ -	$ 339,500

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

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICENCY)
(Stated in Canadian Dollars)

	Number of Shares Outstanding	Share Capital	Subscriptions Receivable	Reserves	Accumulated Deficit	Total Equity (Deficiency)
Balance – April 30, 2021	6,040,501	$ 3,324,180	$ -	$ 83,660	$ (3,870,490)	$ (462,650)
Debt settlement	4,001,250	400,125	-	-	-	400,125
Private placement	11,975,000	1,197,500	(10,000)	-	-	1,187,500
Share issuance costs	-	(59,200)	-	7,200	-	(52,000)
Loss for the year	-	-	-	-	(588,670)	(588,670)
Balance – April 30, 2022	22,016,751	4,862,605	(10,000)	90,860	(4,459,160)	484,305
Enigma share issuance (note 9)	1,334,000	80,040	-	-	-	80,040
Sweet Poison share issuance (notes 5 and 9)	2,500,000	60,000	-	-	-	60,000
Finders fees (note 5 and 9)	250,000	7,500	-	-	-	7,500
Loss for the year	-	-	-	-	(954,126)	(954,126)
Balance – April 30, 2023	**26,100,751**	**$ 5,010,145**	**$ (10,000)**	**$ 90,860**	**$ (5,413,286)**	**$ (322,281)**

Note 1 Corporate Information

Sweet Poison Spirits Inc. (formerly Yellow Stem Tech Inc.) (the "Company") was incorporated as Hemp for Health Inc. on October 1, 2018 under the *Business Corporations Act* of British Columbia. The Company was listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "HFH". In prior years, the Company was in the business of growing, processing, packaging and selling hemp-based products in Europe and set up a wholly-owned Italian subsidiary, Hemp For Health H4H s.r.l. ("H4Hsrl") to operate the business interests in Italy. The Company sold H4Hsrl, and effectively the hemp operations, for nominal value in March 2022 (see note 7).

Change of Business ("COB")

During the year ending April 30, 2023, the Company completed the COB and changed its name to "Yellow Stem Tech Inc". The Company entered into a binding letter of agreement to engage a third party to host cryptocurrency mining activities on behalf of the Company.

Pursuant to an asset purchase agreement and an operating agreement, both dated March 18, 2022, the Company engaged Enigma Data Technologies LLC, a Delaware based company (the "Provider") to initially source and acquire 150 Siacoin mining rigs for the aggregate purchase price of $672,893 (US$525,000) (paid). The Company engaged the Provider to set-up, host and operate the cryptocurrency mining activities in exchange for 1,334,000 shares of the Company valued at fair value on date of issue of $0.06 per share, or $80,040, which was recorded as a prepaid, but has been expensed in the current year as there is no definitive timeline to place the mining rigs into operation. To date, the Company has not commenced operation of the mining rigs as they would not be profitable at the current value of related cryptocurrency. As at April 30, 2023, the rigs remain unpacked in warehouse storage in the United States.

The above transactions resulted in a COB for the Company and required CSE and shareholder approval. The Company announced the COB as completed on June 17, 2022. In conjunction with the COB, the Company changed its name to "Yellow Stem Tech Inc" and on June 20, 2022, the Company's common shares commenced trading on the CSE under the trading symbol "YY".

Name Change to Sweet Poison Spirits Inc.

On November 3, 2022, the Company signed a Product Distribution Agreement (the "Distribution Agreement") with Sweet Poison Spirits S de RL de CV, a Mexican company headquartered in Guadalajara, Mexico, and Sweet Poison Spirits LLC, a California limited liability corporation headquartered in San Diego, California (collectively, "Sweet Poison"). The Distribution Agreement grants the Company the worldwide distribution rights to Sweet Poison's premium Tequila and Mezcal products under the "Sweet Poison" brand names for an initial period of ten years, renewable for a further ten years and beyond (see note 5).

Note 1 Corporate Information – (cont'd)

The Company changed its name from Yellow Stem Tech Inc. to Sweet Poison Spirits Inc. thereafter and, on June 1, 2023, the Company's common shares commenced trading on the CSE under the trading symbol "SPS".

Share Consolidation

On December 2, 2021, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share. Subsequent to April 30, 2023, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share. All share, per share, and warrant amounts have been retroactively restated.

The registered address and the Company's corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 Basis of Preparation and Going Concern

a) Statement of Compliance

These consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on October 3, 2023.

b) Basis of Measurement and Going Concern

The consolidated financial statements have been prepared on a historical cost basis, except for cashflow information. The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates and to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company has not generated revenue from operations and incurred a loss of $954,126 during the year ended April 30, 2023. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future. As at April 30, 2023, the Company had $312 in cash, a working capital deficiency of $538,248 and no long-term debt.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize

Note 2 Basis of Preparation and Going Concern – (cont'd)

b) Basis of Measurement and Going Concern – (cont'd)

its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary, which was controlled by the Company until disposal in March 2022. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial
results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. All intra-group transactions, balances, income and expenses are eliminated on consolidation. All subsidiary expenses are included in the related expense categories including legal, corporate, regulatory, office and administration.

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is the functional currency of the Company and its subsidiary.

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently during the years ended April 30, 2023 and 2022.

a) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial year in which they are incurred.

Note 3 **Summary of Significant Accounting Policies - (cont'd)**

a) Equipment – (cont'd)

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Leases

The Company leased some items of property. Under IFRS 16 Leases ("IFRS 16"), the Company assesses whether a contract to rent an item of property and equipment is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to the IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;

3) amounts expected to be payable under any residual value guarantees; and

4) exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized costs using the effective interest method.

Note 3 **<u>Summary of Significant Accounting Policies</u> - (cont'd)**

a) <u>Equipment – (cont'd)</u>

Leases – (cont'd)

The lease liability is remeasured in the following circumstances:

1) if there is a change in the future lease payments resulting from a change in index or rate;

2) if there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and

3) if the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets.

Depreciation and Impairment

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Depreciation of equipment is calculated using the straight-line method, based on the economic life of the asset which is 5 years for the Company's equipment. Where components of an asset have different useful lives, depreciation is calculated on each separate part. Depreciation commences when an asset is available for use.

The Company reviews and evaluates its equipment for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the recoverable value of a cash generating unit is less than the carrying amount of the assets. An impairment loss is measured and recorded based on the greater of the cash generating unit's fair value less cost to sell or its value in use versus its carrying value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

Equipment that has been impaired in prior periods is tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

Note 3 Summary of Significant Accounting Policies - (cont'd)

b) Data Centre Equipment

Data centre equipment is recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Data centre equipment is amortized on a straight-line basis over a one-year life.

As at April 30, 2023, none of the Company's Siacoin mining rigs (see note 1) had been placed into operations and, as such, have not been amortized. Once operations have begun, the rigs will be amortized accordingly.

Non-financial assets are subject to impairment tests at the end of each reporting period and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. The Company has determined that an impairment on its data centre equipment was required during the current period due to the decrease in the fair market value of identical equipment, not yet put into service, as a result of the significant reduction in the applicable cryptocurrencies over the past three quarters. An impairment loss of $571,178 (US$450,000) was therefore charged to profit or loss for the year ended April 30, 2023, bringing the value of the mining rigs to $101,715 (US$75,000).

c) Distribution Rights

Distribution rights are measured initially at cost and at the fair value of the shares issued by the Company to the shareholders of Sweet Poison and any legal/corporate costs incurred to acquire the distribution rights (see note 5). The distribution rights are subsequently amortized on a straight-line basis over a ten year life. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Non-financial assets are subject to impairment tests at the end of each reporting period and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit.

Note 3 <u>Summary of Significant Accounting Policies</u> - (cont'd)

d) <u>Financial Instruments</u>

All of the Company's financial instruments are classified into one of the following categories based upon the purpose for which the instrument was acquired or issued. All transactions related to financial instruments are recorded on a trade date basis.

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Recognition

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i amortized cost;
ii FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

Note 3 Summary of Significant Accounting Policies - (cont'd)

d) Financial Instruments – (cont'd)

Classification and Measurement – (cont'd)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consists of cash and amounts and other receivables, which are classified and measured at amortized cost. The Company's financial liabilities consist of trade and other payables, and advances payable, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recognized at fair value on the consolidated statement of financial position must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted observed in active markets) for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

Note 3 Summary of Significant Accounting Policies - (cont'd)

e) Income Tax

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss. Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

f) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued based on their market rate at the date the shares are issued.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds. The residual method is used to calculate the fair value of the warrant component of units issued, whereby the residual of the private placement proceeds less the fair value of the share component is assigned as the fair value of the warrants. The balance if any, is recorded to reserves.

g) Share based payments

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company.

The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-

Note 3 **Summary of Significant Accounting Policies - (cont'd)**

g) Share based payments – (cont'd)

Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. Amounts related to the issuance of shares are recorded as a reduction of share capital. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Over the vesting period, share-based payments are recorded as an operating expense and as reserves.

When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as reserves are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from reserves and credited to deficit.

h) Profit or Loss per share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

i) Standards, Amendments and Interpretations

Aside from the policies related to Data Centre Equipment and Distributions Rights, there are no new accounting standards which have been adopted during the year ended April 30, 2023. The Company has not early adopted any new and amended standards. The Company continues to evaluate any new standards but currently no material impact is expected as a result of the adoptions of any new standards.

Note 4 **Critical Accounting Estimates and Judgments**

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments. The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the

Note 4 **Critical Accounting Estimates and Judgments – (cont'd)**

change affects both. Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial period are discussed below:

a) Going concern

Management makes an assessment about the Company's ability to continue as a going concern by taking into the account the consideration of the various factors discussed in Note 2.

b) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

c) Data Centre Equipment

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes. When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired or the impairment charge reduced with the impact recorded in profit or loss (see note 3).

Note 4 <u>Critical Accounting Estimates and Judgments</u> – (cont'd)

d) <u>Stock based compensation</u>

The inputs used in calculating the fair value for stock-based compensation expense included in profit and loss and stock-based share issuance costs included in shareholders' equity. The stock-based compensation expense is estimated using Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly sensitive assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimate forfeiture rate.

e) <u>Shares for debt</u>

The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non- cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

Note 5 <u>Sweet Poison Spirits</u>

On March 28, 2023, the Company closed ("Closing") on the Distribution Agreement signed November 3, 2022 with Sweet Poison by issuing the shares pursuant to the Distribution Agreement. The Distribution Agreement grants the Company the worldwide distribution rights to Sweet Poison's premium Tequila and Mezcal products under the "Sweet Poison" brand names for an initial period of ten years, renewable for a further ten years and beyond.

In consideration of the rights and licences granted by Sweet Poison, the Company issued to the shareholders of Sweet Poison 2,500,000 common shares (the "Shares") valued at fair value on date of issue of $60,000, subject to resale restrictions as follows:

(i) 25% of the Shares will become free-trading four months following the date of Closing ("subsequently free trading");
(ii) 25% of the Shares will become free-trading 12 months following Closing;
(iii) 25% of the Shares will become free-trading 18 months following Closing; and
(iv) the remaining 25% of the Shares will become free-trading 24 months following Closing.

The Company paid Finder's Fees of 10% in the form of shares valued at fair value on date of issue of $7,500, and other costs of $45,000 for a total of $112,500.

Concurrent with the Distribution Agreement, the Company also signed an agreement (the "Option Agreement") with the shareholders of Sweet Poison whereby the Company was granted the option to acquire all of the shares of Sweet Poison subject to the Company fulfilling its obligations under the Distribution Agreement. The terms of the Option Agreement include:

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Note 5 Sweet Poison Spirits – (cont'd)

(i) The option price is US$1,000,000 and will be payable as to US$400,000 in cash and US$600,000 in common shares of the Company, as to one-third (US$133,333 in cash and US$200,000 in Shares) upon exercise of the option, based on a share price of US$0.20 per share; an additional one-third (US$133,333 in cash and US$200,000 in Shares) on or before 12 months following the exercise of the option, based on a share price calculated as the volume weighted average price per Share for the 10 trading days prior to issue ("VWAP"); and the remaining one-third on or before 18 months following the exercise of the option, based on the then current VWAP.

(ii) The option is exercisable by the Company at any time after 24 months from the date of the Option Agreement and prior to 36 months;

The Company will pay Finder's Fees of 10% on the Option Agreement transaction such Finder's Fees payable in the form of shares at a deemed price of US$0.20 per share.

During the year ended April 30, 2023, the Company advanced $13,562 (US$10,000) (April 30, 2022 - $nil) to Sweet Poison, which amount remains payable as at April 30, 2023.

Note 6 Distribution Rights

		Total
Cost		
Balance April 30, 2022	$	-
Additions (Note 5)		112,500
Balance, April 30, 2023		**112,500**
Accumulated Amortization		
Balance April 30, 2022	$	-
Amortization for the year		(1,014)
Balance, April 30, 2023		**(1,014)**
Carrying amount		
Balance, April 30, 2022	$	-
Balance, April 30, 2023	**$**	**111,486**

Note 7 Research and Development - Crops Costs and Italian Hemp Operations

Payments to farmers are fully expensed to research and development as the Company was testing plant strains and has had no significant revenue. During the year ended April 30, 2022, research and development costs were $420,175 (including VAT taxes due to uncertainty of recovery), with respect to planting in 2022, including seedling costs crop costs from the farmers. The Company sold H4Hsrl and all Italian hemp operations in March, 2022 for a nominal value to dispose of all Italian assets and liabilities, the right to recover Italian VAT taxes and any outstanding Italian liabilities.

Note 8 Advances Payable

The Company had signed a letter of intent ("LOI") with Pacific Hemp Company Pty Ltd. ("PHC"), whereby the Company would acquire 100% of the outstanding shares of PHC. The LOI expired on May 17, 2021, as PHC was unable to meet its minimum obligations. PHC advanced the Company a 60 day refundable deposit pursuant to the extension of the original agreement of $152,500 (100,000 Euros). As well the Company was advanced an additional $188,000, for total advances of $340,500, including $13,000 by the CFO and director of the Company and companies controlled by him. All of these advances were non-interest bearing and were due on demand. All of these advances were settled by the issuance of 3,405,000 shares at $0.10 per share during the year ending April 30, 2022 (see note 9).

During the year ending April 30, 2022, the CEO and director of the Company advanced 260,000 Euros ($373,520) to the Company's Italian subsidiary, H4Hsrl, on behalf of the Company to pay certain crop costs and administrative expenses of H4Hsrl. Subsequent to April 30, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director of the Company, in the aggregate amount of $452,270 through the issuance of up to 4,522,700 shares at a fair value of $0.03 per share (see note 15).

Note 9 Share Capital and Reserves

a) Common share issuances

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. To date, equity financings have provided the main source of financing. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Enigma

The Company has engaged Enigma Data Technologies LLC to set-up, host and operate the cryptocurrency mining activities in exchange for 1,334,000 shares of the Company. The shares were valued at $0.06, or $80,040, the fair market value on June 29, 2022, the date of issue (see note 1).

Sweet Poison

The Company issued to the shareholders of Sweet Poison 2,500,000 common shares (the "Shares") valued at fair value on date of issue of $60,000, in consideration of the rights and licences granted by Sweet Poison (see note 5). The Company paid Finder's Fees of 10% in the form of shares valued at fair value on date of issue of $7,500.

Consolidation

On December 2, 2021, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share. Subsequent to April 30, 2023 the Company's outstanding common shares were consolidated on the basis of two existing

Note 9 Share Capital and Reserves – (cont'd)

a) Common share issuances – (cont'd)

Consolidation – (cont'd)

shares for one new share (the "Consolidation"). All share, per share, and warrant amounts have been retroactively restated.

Financings

The Company completed a financing in two tranches to raise a total of $1,197,500 in gross proceeds as follows:

- On December 9, 2021, the Company closed Tranche 1 of its non-brokered private placement, raising $672,500 in gross proceeds through the issuance of 6,725,000 units at a price of $0.010 per unit. Each unit consists of one share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.20 per share for a period of 2 years, provided that in the event the closing price of the Company's shares is equal to or greater than $0.40 per share for 30 consecutive trading days at any time following four months after the date of closing, the Company may, by notice to the warrant holders, reduce the remaining exercise period of the warrants to not less than 30 days following the date of such notice.

Aggregate compensation of $52,000 and 260,000 finders' warrants (having the same general terms as the warrants forming part of the units) was paid by the Company as finders' fees, valued at $7,200 using the Black Scholes method. Assumptions used in the model were a stock price and exercise price of $0.20, no dividend, a 2 year expected life, a 100% volatility and a risk free rate of 0.95%

- On February 2, 2022, the Company closed the final tranche of its non-brokered private placement, with the final tranche raising $525,000 through the issuance of 5,250,000 units at a price of $0.10 per unit. Each unit has the same terms as Tranche 1 above. No finders' fees were payable in this final tranche.

The Company issued 4,001,250 shares in full settlement of outstanding debt in the aggregate amount of $400,125, representing $59,625 in fees and $340,500 in advances owing. Included in this were 726,250 shares issued to officers and directors for outstanding fees and advances of $72,625.

Subsequent to April 30, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director of the Company, in the aggregate amount of $452,270 through the issuance of 4,522,700 shares valued at a fair value of $0.03 per share (the "Debt Settlement") (see note 15).

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Note 9 Share Capital and Reserves – (cont'd)

b) Warrants

A summary of the Company's outstanding share purchase warrants at April 30, 2023, April 30, 2022 and April 30, 2021 is as follows:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2021	2,190,950	$ 1.20
Warrants expired	(2,039,700)	1.20
Warrants granted	6,247,500	0.20
Balance, April 30, 2022	6,398,750	0.22
Warrants expired	(151,250)	1.20
Balance, April 30, 2023	**6,247,500**	**$ 0.20**

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Warrants	Exercise Price	Expiry Date
3,622,500	$0.20	December 9, 2023
2,625,000	$0.20	February 2, 2024
6,247,500	**$0.20**	

During the year ending April 30, 2023, 151,250 warrants exercisable at $1.20 per share expired unexercised.

c) Share-Based Payments

The Company's Board has adopted a Stock Option Plan available to eligible directors, officers, employees and consultants to acquire up to 10% of common shares then outstanding (the "Plan"). Under the Plan, options may be granted by the Board at an option price in accordance with regulatory policy for a maximum term of 10 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest at the discretion of the Company and in accordance with regulatory policy. No share purchase options have been granted in prior periods and none were granted during the year ended April 30, 2023.

Note 10 Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual combined federal and provincial income tax rate for the full financial year applied to the pre-tax income. The Company's effective tax rate for the year ended April 30, 2023 was 27% (April 30, 2022 – 27%). The Company has non-capital losses of $3,847,000 expiring up to 2043, equipment of $2,700 and rights of $111,000 without expiry, and $71,000 share issuance costs expiring in 2047. The differences between the tax expense for the year ended April 30, 2023 and the expected income taxes based on the statutory rate are as follows:

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Note 10 **Income Taxes – (cont'd)**

For the year ended April 30,		**2023**		**2022**
Loss before income taxes	**$**	(954,126)	**$**	(588,670)
Basic statutory income tax rate		27.00%		27.00%
Expected income tax recovery		(258,000)		(159,000)
Changes in rates and other		-		144,000
Adjustment to prior years provisions versus statutory tax returns		444,000		-
Tax benefits not recognized		(186,000)		15,000
Total income tax recovery	**$**	-	**$**	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

As of April 30,		**2023**		**2022**
Deferred tax assets				
Property and equipment	**$**	155,000	**$**	1,000
Share issue costs		19,000		31,000
Non-capital losses available for future period		844,000		1,212,000
		1,058,000		1,244,000
Unrecognized deferred tax assets		(1,058,000)		(1,244,000)
Net deferred tax assets	**$**	-	**$**	-

Note 11 **Loss Per Share**

The denominator for the calculation of loss per share, being the weighted average number of common shares for the years ended April 30, 2023 and 2022 is as follows:

For the year ending April 30,	**2023**	2022
Issued and outstanding, beginning of the year	**22,016,751**	6,040,501
Weighted average shares issued during the year	**1,362,658**	5,490,096
Basic and diluted weighted average number of shares	**23,379,409**	11,530,597

Note 12 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in (deficiency) / equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Note 13 Financial Instruments

As at April 30, 2023, the Company's financial instruments consist of cash, amounts and other receivable, advances payable, and trade and other payables. The fair value of the Company's cash, amounts and other receivable, advances payable, and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation.

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At April 30, 2023, US dollar amounts were converted at a rate of $1.36 Canadian dollars to $1 US dollar and Euro were converted at a rate of $1.49 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange may increase or decrease loss for the period by approximately $1,373. A 10% increase or decrease in the EUR$ exchange may increase or decrease loss for the period by approximately $2,984.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of April 30, 2023. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components, i) to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.
The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at April 30, 2023 is $312 (April

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Note 13 Financial Instruments – (cont'd)

c) Credit Risk – (cont'd)

30, 2022 – $270,100). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at April 30, 2023, the Company was holding cash of $312 (April 30, 2022 – $270,100).

Note 14 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties for the year ended April 30, 2023 and 2022:

Year ended April 30,		**2023**		2022
Audit and accounting	**$**	**29,870**	$	-
Management fees		**66,000**		51,000
Legal and corporate		**26,150**	$	-
Office and administration		**27,000**		8,250
Total	**$**	**149,020**	$	59,250

During the year ended April 30, 2023, the Company incurred fees and operational expenses totalling $149,020 (April 30, 2022 – $59,250) from companies controlled by an officer and director of the Company and by another officer and director. As of April 30, 2023, the Company had amounts payable to officers and directors, and companies with directors in common of $88,709 (April 30, 2022: $8,363).

During the year ended April 30, 2022, $83,855 in amounts payable for fees, expenses and advances were forgiven as debts to the Company. Included in these amounts was $64,629 of amounts owing to officers and directors and companies controlled by officers and directors which included amounts payable for fees and advances.

Subsequent to April 30, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director of the Company, in the aggregate amount of $452,270 through the issuance of up to 4,522,700 shares at a fair value of $0.03 per share (the "Debt Settlement") (see note 15).

Note 15 <u>Subsequent Events</u>

a) <u>Debt Settlement</u>

On May 1, 2023, the Company arranged to settle certain outstanding debts with management and directors in the aggregate amount of $452,270, through the issuance of 4,522,700 shares at a fair value of $0.03 per share (the "Debt Settlement") and, consequently, a gain of $316,589 will be recognized in the Company's consolidated statement of operations for the year ended April 30, 2024.

The proposed Debt Settlement involves amounts owing to non-arm's length parties, with $415,520 owing to the Company's CEO and $36,750 owing to the CFO, as follows:

i) The amount owing to the CEO represents non-interest bearing advances of $373,520 and $42,000 in unpaid management fees; and,
ii) The amount owing to the CFO represents unpaid management fees over a period of 14 months.

b) <u>Sweet Poison Formula Amending Agreement</u>

On May 15, 2023, the Company negotiated an agreement with Sweet Poison, amending both the Distribution Agreement and the Option Agreement to include the acquisition of Sweet Poison's formula for one blend of Sweet Poison's tequila and four blends of mezcal. The deemed value of US$250,000, the cost of acquiring the formulas, will be deducted from the purchase price under the Option Agreement in the event the Company exercises the option.

In consideration for acquiring the formulas, the Company will issue to Sweet Poison a total of 2,500,000 shares, with hold periods as follows:

(i) 25% of the Shares will become free-trading four months following the date of issuance (the "Closing");
(ii) an additional 25% of the Shares will become free-trading 12 months following Closing;
(iii) an additional 25% of the Shares will become free-trading 18 months following Closing; and
(iv) the remaining 25% of the Shares will become free-trading 24 months following Closing.

A finder's fee of 250,000 shares will be issued related to this transaction for the finder's efforts in negotiating and facilitating the transaction, such shares to be restricted in the same manner as those shares to be issued to Sweet Poison.