# Form 51-102F4
# Business Acquisition Report

## *Item 1 Identity of Company*

### 1.1 Name and Address of the Company

Prime Drink Group Corp. ("**Prime**" or the "**Company**")
609 - 1188 avenue Union
Montréal, QC, H3B 0E5

### 1.2 Executive Officer

Alexandre Cote,
Chief Executive Officer
Telephone: (514) 394-7717
Email: info@prime-group.ca

## *Item 2 Details of Acquisition*

### 2.1 Nature of the Business Acquired

On October 31, 2024, the Company completed its acquisition of all the issued and outstanding shares ("**Triani Shares**") of Triani Canada Inc. (the "**Transaction**") from 9296-0186 Québec Inc. ("**9296**") and Angelpart Ventures Inc. (collectively, the "**Vendors**"), pursuant to the amended and restated share purchase agreement dated August 7, 2024 (the "**Amended and Restated SPA**") entered into between the Vendors, the shareholders of 9296, and Prime.

Triani Canada Inc. ("**Triani**") is a Québec-based company specializing in the production, bottling and sale of alcoholic and non-alcoholic beverages to a large client roster including well-known brand names across North America. Triani produces and markets Octane, Mojo, Baron, and its well-known Glutenberg, Oshlag and Vox Populi brands and other malt-based alcoholic beverages, as well as non-alcoholic products under the Hickson brand. It also markets alcoholic and non-alcoholic microbrewery beers from Brasserie les 2 Frères (Hickson, Série Découverte, and Charles-Henri), as well as produces several other alcoholic beverages for both the Canadian and American markets.

### 2.2 Acquisition Date

The Transaction was completed on October 31, 2024.

### 2.3 Consideration

Pursuant to the Amended and Restated SPA, Prime acquired the Triani Shares from the Vendors in consideration for:

(i) CAD$11,400,000 payable through the issuance of an aggregate of 91,200,000 common shares in the capital of Prime ("**Prime Shares**") at a deemed price of $0.125 per Prime Share; and

(ii) the issuance of 11,200,000 common share purchase warrants (a "**Prime Warrant**"), each Prime Warrant is exercisable for one Prime Share at a price of $0.125 per share and expires twelve (12) months from the closing date of the Transaction.

In addition to the foregoing purchase price for the Triani Shares, subject to Triani achieving certain EBITDA targets, the Company may pay to 9296, additional consideration in an amount of up to $23,500,000 payable through the issuance of Prime Shares (the "**Bonus Consideration**") at a deemed price of $0.125 per share for any Bonus Consideration payable in the fiscal years ended March 31, 2025 and 2026, and $0.16 per share for any Bonus Consideration payable in the fiscal year ended March 31, 2027.

Further details related to the Transaction are included in the Company's news releases of January 2, 2024, May 8, 2024, May 15, 2024, May 22, 2024, July 31, 2024, August 14, 2024 and November 1, 2024 and material change reports of May 24, 2024, August 6, 2024, October 21, 2024 and November 11, 2024 all of which are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

### 2.4 Effect on Financial Position

The effect of the Transaction on the Company's financial position is that Triani became a wholly-owned subsidiary of the Company. The business and operations of Triani are now being managed by the Company.

### 2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by either the Company or Triani required by securities legislation or a Canadian exchange to support the consideration paid by the Company in connection with the Transaction.

### 2.6 Parties to Transaction

The Transaction was not with an informed person, associate or affiliate of the Company as defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

### 2.7 Date of Report

January 13, 2025

## *Item 3 Financial Statements*

As required by Part 8 of NI 51-102, the following financial statements are attached to this business acquisition report (the "**Report**"):

- the audited financial statements of Prime for the years ended December 31, 2023 and 2022, a copy of which is attached hereto as Schedule "A";

- the audited financial statements of Triani for the years ended March 31, 2024 and 2023, a copy of which is attached hereto as Schedule “B”;

- the interim financial statements of Prime for the six-month period ended June 30, 2024, a copy of which is attached hereto as Schedule “C”; and

- the interim financial statements of Triani for the three-month period ended June 30, 2024, a copy of which is attached hereto as Schedule “D”.

## SCHEDULE A

**Audited Annual Financial Statements of Prime for the years ended December 31, 2023 and 2022**

**[*see attached*]**

# Prime Drink Group Corp.
## (formerly Dominion Water Reserves Corp.)
## Consolidated Financial Statements
*For the years ended December 31, 2023 and December 31, 2022*

# Table of Contents

*For the years ended December 31, 2023 and December 31, 2022*

# Independent Auditor's Report

To the Shareholders of Prime Drink Group Corp.:

## Opinion

We have audited the consolidated financial statements of Prime Drink Group Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Key Audit Matters

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

### *Water Rights Impairment Assessment*

*Key Audit Matter Description*

As described in Note 7 to the consolidated financial statements, the Company performed impairment testing of its water rights which have a carrying value of $5,657,862 as at December 31, 2023. The impairment testing was performed by comparing the carrying value of the water rights to the estimated recoverable amount of the cash-generating unit these assets were allocated to. As a result of the impairment testing, the Company did not recognize any impairment loss related to water rights. We identified the estimation of water rights impairment as a key audit matter due to the assessment of estimated fair value of the cash-generating unit requiring significant assumptions in the cash flow forecasts which include production capacity, sales price, price growth, terminal capacity and discount rates.

*Audit Response*

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

- We utilized our internal valuation experts to evaluate the integrity of the impairment model used for mechanical and arithmetical accuracy and test the fair values using management's cash flow estimates and discount rates and comparing the results to the fair value amounts used by the Company;
- With respect to projected cash flows from operations, we compared management's assumptions with historical results. Where historical results were not available, we reviewed the assumptions for reasonableness with external benchmarks. When benchmarks were not available, we performed sensitivity analysis;
- We assessed the discount rates applied, including comparison of underlying components in management's calculations to external benchmarks and publicly available data for comparable entities, as applicable; and
- We assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

## Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

MNP LLP

Ottawa, Ontario

Chartered Professional Accountants

April 29, 2024

Licensed Public Accountants

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Statements of Financial Positions
*As at December 31*
*(in Canadian dollars)*

| | | ***2023*** | | *2022* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | **$** | **2,678,137** | $ | 2,420,857 |
| Sales taxes receivable | | **6,531** | | 8,335 |
| Prepaid expenses and deposits | | **13,143** | | 7,346 |
| **Total current assets** | | **2,697,811** | | 2,436,538 |
| **Non-current** | | | | |
| Property and equipment *(Note 6)* | | **528,678** | | 529,314 |
| Water rights *(Note 7)* | | **5,657,862** | | 5,657,862 |
| Right-of-Use of assets *(Note 8)* | | **-** | | 3,736 |
| **Total non-current assets** | | **6,186,540** | | 6,190,912 |
| **Total assets** | **$** | **8,884,351** | $ | 8,627,450 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **$** | **109,516** | $ | 107,277 |
| Current portion of lease liability *(Note 10)* | | **-** | | 2,780 |
| **Total liabilities** | **$** | **109,516** | $ | 110,057 |
| **Shareholders' equity** | | | | |
| Share capital *(Note 9)* | **$** | **15,411,268** | $ | 13,914,371 |
| Reserves | | **3,381,242** | | 3,615,906 |
| Deficit | | **(10,017,675)** | | (9,012,884) |
| **Total shareholders' equity** | **$** | **8,774,835** | $ | 8,517,393 |
| **Total liabilities and shareholders' equity** | **$** | **8,884,351** | $ | 8,627,450 |

Going concern *(Note 2)*
Events after the reporting period *(Note 17)*

On behalf of the Board of Directors,

*"Alexandre Côté"*
(signed Alexandre Côté)
CEO and Director

*"Michael Pesner"*
(signed Michael Pesner)
Director

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

## Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Statements of Loss and Comprehensive Loss
*For the years ended December 31, 2023 and December 31, 2022*
*(in Canadian dollars)*

| | | ***2023*** | | *2022* |
|---|---|---|---|---|
| **Operating expenses** | | | | |
| Share-based payments (*Note 9*) | **$** | **340,629** | $ | - |
| Consulting fees *(Note 9 and 13)* | | **251,249** | | 314,475 |
| Professional fees | | **247,475** | | 321,195 |
| Directors' and audit committee members' fees (*Note 13*) | | **74,258** | | 31,199 |
| Licences, dues and subscriptions | | **47,252** | | 35,673 |
| Insurance | | **21,991** | | 32,405 |
| Travel | | **13,032** | | 15,167 |
| Property expenses | | **9,678** | | 15,328 |
| Office | | **8,163** | | 4,737 |
| Bank charges | | **4,505** | | 1,636 |
| Depreciation of right-of-use asset | | **3,736** | | 25,440 |
| Meals and entertainment | | **2,698** | | 2,496 |
| Business taxes | | **2,044** | | 4,801 |
| Depreciation of property and equipment | | **636** | | 692 |
| **Total operating expenses** | **$** | **1,027,346** | $ | 805,244 |
| **Operating loss** | **$** | **(1,027,346)** | $ | (805,244) |
| **Other income** | | | | |
| Interest charge on lease liability | | **-** | | (2,500) |
| Interest revenue | | **(22,555)** | | - |
| **Net loss and comprehensive loss for the year** | **$** | **(1,004,791)** | $ | (807,744) |
| **Loss per share** | | | | |
| **Basic and diluted loss per share** | | | | |
| Net loss per common share, basic and diluted *(Note 11)* | **$** | **(0.0070)** | $ | (0.0074) |
| Weighted average number of common shares outstanding | | **143,066,259** | | 108,588,536 |

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

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Statements of Changes in Equity
*For the year ended December 31, 2023 and December 31, 2022*
*(in Canadian dollars)*

| | | Share capital | | Reserves | | Deficit | | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance January 1, 2022** | $ | 10,958,313 | $ | 3,451,003 | $ | (8,205,140) | $ | 6,204,176 |
| Net loss for the year | | - | | - | | (807,744) | | (807,744) |
| Cancellation of shares | | (66,213) | | - | | - | | (66,213) |
| Issuance of shares – private placement | | 3,134,371 | | 200,629 | | - | | 3,335,000 |
| Cost of issuance of shares | | (206,326) | | - | | - | | (206,326) |
| Issuance of shares – exercise of warrants | | 94,226 | | (35,726) | | - | | 58,500 |
| **Balance December 31, 2022** | $ | 13,914,371 | $ | 3,615,906 | $ | (9,012,884) | $ | 8,517,393 |
| Net loss for the year | | - | | - | | (1,004,791) | | (1,004,791) |
| Issuance of shares – exercise of warrants | | 674,557 | | (255,757) | | - | | 418,800 |
| Issuance of shares – exercise of options | | 822,340 | | (319,536) | | - | | 502,804 |
| Share-based payments | | - | | 340,629 | | - | | 340,629 |
| **Balance December 31, 2023** | $ | 15,411,268 | $ | 3,381,242 | $ | (10,017,675) | $ | 8,774,835 |

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Statements of Cash Flows
*For the years ended December 31, 2023 and December 31, 2022*
*(in Canadian dollars)*

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Cash provided by (used for) the following activities** | | | | |
| **Operating activities** | | | | |
| Net loss | **$** | **(1,004,791)** | $ | (807,744) |
| Share-based payments | | **340,629** | | - |
| Depreciation of property and equipment | | **636** | | 692 |
| Depreciation of right-of-use asset | | **3,736** | | 25,440 |
| Interest charges on lease liability | | **-** | | 2,500 |
| Cancellation of shares against services *(Note 9)* | | **-** | | (66,213) |
| | | **(659,790)** | | (845,325) |
| **Changes in working capital account** | | | | |
| Sales tax receivables | **$** | **1,804** | $ | 33,396 |
| Prepaid expenses and deposits | | **(5,797)** | | 4,565 |
| Accounts payables and accrued liabilities | | **2,239** | | 21,629 |
| | | **(661,544)** | | (785,735) |
| **Financing activities** | | | | |
| Proceeds from issuance of share capital | **$** | **-** | $ | 3,335,000 |
| Payment of share issuance cost | | **-** | | (206,326) |
| Proceeds on exercise of warrants | | **418,800** | | 58,500 |
| Proceeds on exercise of stock options | | **502,804** | | - |
| Repayment of lease liability | | **(2,780)** | | (29,860) |
| | | **918,824** | | 3,157,314 |
| **Investing activities** | | | | |
| Purchase of property and equipment | **$** | **-** | $ | (147,800) |
| | | **-** | | (147,800) |
| **Increase in cash resources** | | **257,280** | | 2,223,779 |
| **Cash resources, beginning of the year** | | **2,420,857** | | 197,078 |
| **Cash resources, end of the year** | **$** | **2,678,137** | $ | 2,420,857 |

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

## 1. General information

Prime Drink Group Corp. (the “Company” or “Prime”), formerly Dominion Water Reserves Corp. until its name changed on November 23, 2022, was incorporated under the Canada Business Corporations Act on October 26, 2015. The head office, principal address and records office of the Company are located at 609-1188 Avenue Union, Montreal, Quebec, H3B 05E.

Prime Drink Group Corp. is a company that acquires spring water permits to develop operations in the spring water market in Quebec and elsewhere. Prime Drink Group Corp. is the parent company of Dominion Water Reserves Corp., 6305768 Canada Inc., Centre Piscicole Duhamel Inc.,11973002 Canada Inc., Source Sainte-Cécile Inc., 3932095 Canada Inc. and Société Alto 2000 Inc (“the subsidiaries”). These subsidiaries are fully owned by the Company.

The Company is listed on the Canadian Securities Exchange (the “CSE”), since August 10, 2020, and is trading under the symbol “PRME”.

## 2. Going concern

As at December 31, 2023, Prime Drink Group Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of $10,017,675 since inception and expects to incur further losses in the development of its business. Additionally, the Company incurred a net loss and comprehensive loss of $1,004,791 during the year.

However, given the current cash position and foreseen cash inflows and outflows in the next twelve months, management believes that sufficient cash will be available to fund the Company’s operating expenses and pursue development of its business at least for the next 12 months. While management has been successful in securing financing in the past, there can be no assurance that it will continue to do so in the future or the sources of funds or initiatives will be available to the Company.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these consolidated financial statements are based on the assumption of continuity of the Company as the Company believes it will realize its assets and discharge its liabilities in the normal course of business.

The Company continually monitors its activities and associated expenditure closely to ensure effective deployment of resources.

## 3. Statement of compliance and upcoming changes to accounting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved by the Company’s Board of Directors on April 29 2024.

### Future changes in accounting policies

The Company monitors the potential changes proposed by the International Accounting Standards Board (“IASB”) and analyzes the effect that changes in the standards may have on the Company’s operations. Standards issued but not yet effective up to the date of issuance of the consolidated financial statements for the year ended December 31, 2023 are described below.

## 3. Statement of compliance and upcoming changes to accounting standards (continued)

*Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by the likelihood that an entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify the definition of "settlement" of a liability. In October 2022, revised amendments in respect of non-current liabilities with covenants were issued. Both amendments are effective on January 1, 2024 and should be applied retrospectively. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

**Accounting policy adopted during the year**

In February 2021, the IASB issued amendments to IAS 8, Accounting Polices, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company's financial disclosure is currently not materially affected by the application.

## 4. Basis of preparation

***Basis of measurement***

The consolidated financial statements have been prepared on an historical cost basis. The material accounting policies are set out in Note 5.

***Functional and presentation currency***

These consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' functional currency.

***Material accounting judgments and estimates***

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to the accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgments and assumptions applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

**4. Basis of preparation** *(Continued from previous page)*

*Impairment of Water Rights*
The Company acquired various water rights over the year. Management has determined that the water rights have an indefinite life. Consequently, they are not amortized but rather tested for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired, by comparing the fair value of the assets to their carrying amounts.

The recoverable amount of the intangible assets is calculated using discounted cash flow models that incorporate a wide range of assumptions including estimated volume of water expected to be derived from each water right, expected capital expenditures, production capacity, terminal production capacity, sales pricing, price escalation, discount rates, timing of sales and costs. These models are sensitive to changes in any of the input variables which are subject to uncertainties.

*Share-Based Compensation*
The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-based grants. The Black-Scholes model requires management to make certain assumptions and estimates such as the expected life of the instrument, volatility of the Company's share price, risk-free rates, future dividend yields and estimated forfeitures at the initial grant date. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

*Warrants*
Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

*Recovery of deferred tax assets*
The measurement of taxes payable and deferred tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

*Classification of financial instruments*
All financial assets are classified in one of the following categories: fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term.

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial asset at amortized cost include cash. Financial liabilities at amortized cost include accounts payable and accrued liabilities and lease liability. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

## 5. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries as further described in Note 1.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed or has rights to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All subsidiaries were inactive in 2023 and 2022.

***Cash***

Cash in the statements of financial position comprise cash at banks and short-term bank deposits with original maturity of three months or less that are subject to insignificant risk of changes in value. There were no cash equivalents as at December 31, 2023 and 2022.

***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the diminishing balance method over their estimated useful lives. Assets are depreciated from the date of acquisition.

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

| | ***Method*** | ***Rate*** |
|---|---|---|
| Building | declining balance | 4% |
| Furniture and fixtures | declining balance | 20% |

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

***Water rights***

Water rights are intangible assets and include expenditures that are directly attributable to the acquisition of the assets. Water rights consist of various water interests acquired in conjunction with the acquisition of real estate. When the Company purchases water rights that are attached to real estate, an allocation of the total purchase price, including any direct costs of the acquisition, is made at the date of acquisition based on the estimated relative fair values of the water rights and the real estate.

**5. Summary of material accounting policies** *(Continued from previous page)*

***Impairment of long-lived assets***

At the end of each year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

***Share-based payment transactions***

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the services rendered. In situations where the fair value of the goods or services received by the Company as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options issued pursuant to its Stock Option Plan described in note 9. This pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which can affect the fair value of the stock options. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of loss per share.

***Warrants***

The Company uses the Black-Scholes Model to calculate the value of warrants issued as part of the Company's public and/or private placements. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Proceeds from unit placements, net of issuance costs, are allocated between common shares and warrants issued using the residual method. The fair value of the common share is determined by the residual method, with warrants being valued first and the remaining residual value of the unit being assigned to the common share.

**5. Summary of material accounting policies** (Continued from previous page)

***Financial instruments***

***Financial assets***

**Recognition and initial measurement**

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable.

**Reclassifications**

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

**Impairment**

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

**Derecognition of financial assets**

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

***Financial liabilities***

**Recognition and initial measurement**

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

**5. Summary of material accounting policies** *(Continued from previous page)*

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

**Derecognition of financial liabilities**

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

***Leases***

The Company has elected to not recognize right-of-use assets and lease liabilities as per IFRS 16 for short-term rent leases. Short-term leases are leases with a term of twelve months or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Company recognizes right-of-use assets and lease liabilities for long-term rent leases. Long-term leases are leases with a term of twelve months or more. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities.

***Income taxes***

Taxation on the profit or loss for the year comprises current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

***Current Taxes***

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years.

***Deferred Taxes***

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

***Equity***

Share capital represents the amount received on the issue of shares less issuance costs.

***Reserves***

Reserves includes charges related to stock options until such are exercised and transferred to share capital. On expiry charges remain in the reserves account. Reserves includes fair values allocated to the warrants issued. When warrants are exercised, the related cost and fair value are transferred to share capital. On expiry fair values allocated remain in the reserves account.

***Loss per share***

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

*(in Canadian dollars)*

## 6. Property and equipment

| | *Land* | *Building* | *Furniture and fixtures* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2022 | $ 368,700 | $ 13,000 | $ 1,689 | $ 383,389 |
| Additions | 147,800 | - | - | 147,800 |
| Balance at December 31, 2022 | 516,500 | 13,000 | 1,689 | 531,189 |
| Additions | - | - | - | - |
| Balance at December 31, 2023 | 516,500 | 13,000 | 1,689 | 531,189 |
| **Depreciation** | | | | |
| Balance at January 1, 2022 | - | 466 | 717 | 1,183 |
| Depreciation charge for the year | - | 500 | 192 | 692 |
| Balance at December 31, 2022 | - | 966 | 909 | 1,875 |
| Depreciation charge for the year | - | 480 | 156 | 636 |
| Balance at December 31, 2023 | - | 1,446 | 1,065 | 2,511 |
| **Net book value** | | | | |
| At December 31, 2022 | $ 516,500 | $ 12,034 | $ 780 | $ 529,314 |
| At December 31, 2023 | $ 516,500 | $ 11,554 | $ 624 | $ 528,678 |

*(in Canadian dollars)*

## 7. Water rights

| | ***Water rights*** |
|---|---|
| **Cost** | **$** |
| Balance at January 1, 2022 | **5,657,862** |
| Additions | **-** |
| Balance at December 31, 2022 | **5,657,862** |
| Additions | **-** |
| Balance at December 31, 2023 | **5,657,862** |

| | ***Water rights*** | ***Water rights*** |
|---|---|---|
| | **2023** | **2022** |
| **Water source** | **$** | **$** |
| Duhamel | 684,250 | 684,250 |
| Notre-Dame-du-Laus | 3,833,150 | 3,833,150 |
| St-Joseph de Coloraine | 392,629 | 392,629 |
| Sainte-Cécile-de-Witton | 262,560 | 262,560 |
| Saint-Élie-de-Caxton | 246,025 | 246,025 |
| Source Alto 2000 Inc. | 239,248 | 239,248 |
| **Balance at December 31** | **5,657,862** | **5,657,862** |

*(in Canadian dollars)*

## 7. Water rights *(Continued from previous page)*

### Impairment testing

For the purpose of impairment testing, each water right represents the lowest level within the Company at which the water right is monitored for internal management purposes, which is not higher than the Company's operating segment. Impairment testing was performed on December 31, 2023. The recoverable amounts were based on their fair value less cost of disposal and were determined to be higher than their carrying amounts.

Fair value was determined by discounting the future cash flows generated from the continuing use of each water right. The calculation of the fair value was based on the following key assumptions which are all level 3 of fair value hierarchy:

Cash flows were projected based on a combination of management experience as well a review of industry benchmarks, whenever relevant information was available, taking into consideration that the Company has yet to start generating revenue. The Company establishes a 11-year business plan from the date the Company expects to start generating revenue and this plan was approved by management. Cash flows were established for each water right with the following assumptions estimated:

| | |
|---|---|
| Year 1 Production capacity | 0%-20% |
| Sales price | \$0.005 - \$0.010 per litre |
| Sales growth (after initial ramp-up) | 0% to 20% per year |
| Terminal production capacity | 8% - 87% of total capacity |

An after-tax discount rates between 17.72% and 19.72% were applied in determining the recoverable amount of the cash generating units. The discount rates were estimated based on past experience, the risk-free rate and estimated cost of debt in addition to estimates of the specific cash generating unit's equity risk premium, small capitalization premium, projection and other specific risks, beta, tax rate and industry targeted debt to equity ratios.

There were no impairment losses recognized on water rights during the years ended December 31, 2023 and 2022.

### Sensitivity analysis

Decrease in the estimated future production or sales price by 10%, with other assumptions remaining constant, would not result in the recognition of impairment losses on the water rights.

For water rights where production is estimated to begin in 2025, if the start of the production was delayed by one year and set to begin in 2026 in the forecasted cash flows, two of the water rights would result in break-even cash flows.

## 8. Right-of-Use Assets

The Company recognized a new right-of-use asset for its office premises with a corresponding lease liability (Note 10), following the signature of a new lease on August 1, 2021, which are initially measured at the present value of the future lease payments.

**Right-of-use**

| | $ |
|---|---|
| Balance at December 31, 2021 | 29,176 |
| Depreciation | 25,440 |
| Balance at December 31, 2022 | 3,736 |
| Depreciation | 3,736 |
| **Balance at December 31, 2023** | **-** |

*(in Canadian dollars)*

## 9. Shareholders' equity

### Share capital

(a) *Authorized*
Unlimited number of common Class 'A' shares, voting, participating, without nominal or par value.

(b) *Capital stock*
The change in state share capital was as follows:

| | | Number of common shares | Stated share capital | Share issuance costs | Total |
|---|---|---|---|---|---|
| **Balance, January 1, 2022** | | 96,155,658 | $ 11,139,374 | $ (181,061) | $ 10,958,313 |
| Cancellation of shares | i | (575,762) | (66,213) | - | (66,213) |
| Issuance of shares – private placement | ii | 41,687,500 | 3,134,371 | (206,326) | 2,928,045 |
| Issuance of shares – warrants exercised | iii | 390,000 | 94,226 | - | 94,226 |
| **Balance, December 31, 2022** | | 137,657,396 | $ 14,301,758 | $ (387,387) | $ 13,914,371 |
| Issuance of shares – warrants exercised | v | 2,792,000 | 674,557 | - | 674,557 |
| Issuance of shares – options exercised | iv, vi, vii, viii | 3,728,066 | 822,340 | - | 822,340 |
| **Balance, December 31, 2023** | | 144,177,462 | $ 15,798,655 | $ (387,387) | $ 15,411,268 |

i. On April 14, 2022, a total of 575,762 common shares were cancelled by the Company following a settlement with a service provider. These shares were initially issued on October 16, 2020 at a deemed price of $0.115. The Company recognized a credit $66,213 against the consulting fees.

ii. On July 5, 2022 and September 19, 2022, the Company issued a total of 33,350 units which comprise one thousand two hundred and fifty (1,250) common share (totaling 41,687,500 common shares) and one hundred and twenty-five (125) warrants (totaling 4,168,750 warrants) at an agreed price of $100 per unit for gross proceeds of $3,335,000. These units were acquired by Directors of the Company.

The fair value of the shares was estimated at the issuance date based on a residual method where at first the fair value of the Warrants was estimated based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.00%-3.77% |
| Forfeiture rate | 0% |
| Expected life | 2 years |
| Expected volatility | 125% |

iii. On September 26, 2022 and November 7, 2022, 390,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $58,500.

iv. On February 24, 2023, 386,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $42,460.

v. On February 26, 2023, 2,792,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $418,800.

vi. On March 3, 2023, 2,649,066 common shares were issued by the Company upon options exercised at an exercise price of $0.145, for a gross amount of $384,114.

vii. On April 6, 2023, 500,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $55,000.

*(in Canadian dollars)*

**9. Shareholders' equity** (Continued from previous page)

viii. On April 11, 2023, 193,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $21,230.

(c) *Stock Options and Warrants*

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares in any given 12-month period. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed. The following summarizes the stock option activities:

The following summarizes the stock option activities:

| | Number of stock options | Weighted average exercise price per share |
|---|---|---|
| **Balance, January 1, 2022** | 9,321,066 | $0.14 |
| Cancelled (i) | (150,000) | $0.10 |
| **Balance, December 31, 2022** | 9,171,066 | $0.14 |
| Exercised (ii, iii, v, vi) | (3,728,066) | $0.14 |
| Granted (iv, vii) | 4,000,000 | $0.16 |
| Expired | (3,943,000) | $0.14 |
| **Balance, December 31, 2023** | 5,500,000 | $0.16 |

The following summarizes the stock option activities:

| Number of options | Exercise Price | Expiry date |
|---|---|---|
| 1,000,000 | $ 0.19 | August 14, 2025 |
| 500,000 | $ 0.10 | October 27, 2025 |
| 3,500,000 | $0.165 | April 5, 2026 |
| 500,000 | $0.13 | April 5, 2026 |
| 5,500,000 | | |
| *1,500,000* | *Exercisable as at December 31, 2023* | |

During the year ended December 31, 2023 and 2022, the Company's activities are as follows:

**2022**

i. On February 9, 2022, 150,000 options were cancelled following the departure of a director. These options were fully vested.

**2023**

*(in Canadian dollars)*

**9. Shareholders' equity** (Continued from previous page)

ii. On February 24, 2023, 386,000 options were exercised at an exercise price of $0.11, for a gross amount of $42,460.

iii. On March 3, 2023, 2,649,066 options were exercised at an exercise price of $0.145, for a gross amount of $384,115.

iv. On April 5, 2023, 3,500,000 stock options were granted to certain officers, employees, and consultants. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.165 per common share for a period of 3 years. The fair value of the options of $423,468 as estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.52% |
| Forfeiture rate | 0% |
| Expected life | 3 years |
| Expected volatility | 125.0% |

The total expense recognized in the statement of loss and comprehensive loss for the year ended December 31, 2023 amounts to $313,250.

v. On April 6, 2023, 500,000 options were exercised at an exercise price of $0.11, for a gross amount of $55,000.

vi. On April 11, 2023, 193,000 options were exercised at an exercise price of $0.11, for a gross amount of $21,230.

vii. On August 15, 2023, 500,000 stock options were granted to a director. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.13 per common share for a period of 2.7 years. The fair value of the options of $43,664 as estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 4.81% |
| Forfeiture rate | 0% |
| Expected life | 2.7 years |
| Expected volatility | 125.0% |

The total expense recognized in the statement of loss and comprehensive loss for the year ended December 31, 2023 amounts to $27,379.

**Warrants**

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The fair value of warrants issued and outstanding is reflected in retained earnings. Amounts for warrants that are subsequently exercised are transferred from retained earnings to capital stock.

The following table summarizes the warrant activities for the year ended December 31, 2023 and 2022:

| | Number of warrants | Weighted average exercise price ($) |
|---|---|---|
| **Balance, January 1, 2022** | 18,637,857 | $0.15 |
| Issued pursuant to subscription receipts (i, ii) | 4,168,750 | 0.08 |
| Exercised (iii) | (390,000) | 0.15 |
| Expired | (62,857) | 0.35 |
| **Balance, December 31, 2022** | 22,353,750 | 0.14 |
| Exercised (iv) | (2,792,000) | 0.15 |
| Expired | (15,393,000) | 0.15 |
| **Balance, December 31, 2023** | 4,168,750 | 0.08 |

*(in Canadian dollars)*

**9. Shareholders' equity** *(Continued from previous page)*

The Company had the following warrants outstanding as at December 31, 2022:

| Number of Warrants | Exercise Price | Expiry date |
|---|---|---|
| 418,750 | $ 0.08 | July 5, 2024 |
| 3,750,000 | $ 0.08 | September 19, 2024 |
| 4,168,750 | | |
| *4,168,750* | *Exercisable as at December 31, 2023* | |

During the year ended December 31, 2023 and 2022, the Company's activities are as follows:

**2022**

i. In connection with the issuance of the July units, the Company issued 418,750 warrants with each warrant entitling the holder to acquire one common share at an exercise price of $0.08 per common share until July 5, 2024. The fair value of the Warrants of $13,337 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.00% |
| Forfeiture rate | 0% |
| Expected life | 2 years |
| Expected volatility | 125.0% |

ii. In connection with the issuance of the September units, the Company issued 3,750,000 warrants with each warrant entitling the holder to acquire one common share at an exercise price of $0.08 per common share until September 19, 2024. The fair value of the Warrants of $187,492 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.77% |
| Forfeiture rate | 0% |
| Expected life | 2 years |
| Expected volatility | 125.0% |

iii. On September 26, 2022 and November 7, 2022, 390,000 warrants were exercised at an agreed price of $0.15 per share for gross proceeds of $58,500.

**2023**

iv. On February 26, 2023, 2,792,000 warrants were exercised at an exercise price of $0.15, for a gross amount of $418,800.

***Shares in escrow***

As part of the 2020 business combination with Tucker Acquisitions Inc., in accordance with the policies of the Canadian Securities Exchange, for the Company as an emerging issuer, certain officers and directors entered into an agreement with the Company and a trustee, whereby they agreed to deposit 18,476,389 common shares, issued pursuant to Transaction, in escrow. 1/10 of the escrow securities were to be released on August 10, 2020, the listing date followed by a 6 monthly release schedule in equal tranches of 15% after the listing date. As at December 31, 2023, there were nil shares in escrow (December 31, 2022 – 8,680,316).

*(in Canadian dollars)*

## 10. Lease liability

In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents the Company's interest rate that would need to be provided if it issues a debenture given the present risk level of the Company. The present value of the future lease payments was calculated from November 30, 2020, the signing date of new agreement, for a term of more than twelve months. This lease liability was derecognized following the signature of a new agreement on August 1, 2021 for a term of more than twelve months. Changes to the Company's lease liabilities for the years ended December 31, 2023 and December 31, 2022 are as follows:

| | **$** |
|---|---|
| Balance at December 31, 2021 | **30,140** |
| Lease payment on amended lease | **29,860** |
| Interest payment on amended lease | **2,500** |
| Balance at December 31, 2022 | **2,780** |
| Lease payment on amended lease | **2,780** |
| Interest payment on amended lease | **-** |
| Balance at December 31, 2023 | **-** |

## 11. Loss per share

*(a) Basic loss per share*
Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year.

*(b) Diluted loss per share*
Diluted loss per share is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the year ended December 31, 2023 and 2022 and has accordingly presented basic and diluted loss per share in the consolidated statements of loss and comprehensive loss.

## 12. Income tax

***(a) Reconciliation of income tax recovery:***

| | **2023** | 2022 |
|---|---|---|
| Loss before income taxes | **$ (1,004,791)** | $ (807,744) |
| Expected income tax recovery | **(266,270)** | (214,052) |
| Decrease in income taxes resulting from: | | |
| Non-deductible expenses | **98,313** | 8,315 |
| Tax benefits not recognized | **167,957** | 205,737 |
| | **-** | - |

The statutory tax rate for 2023 and 2022 was 26.50%.

*(in Canadian dollars)*

**12. Income tax** *(Continued from previous page)*

**Composition of deferred income taxes in the income statement**

| | | |
|---|---|---|
| Inception and reversal of tax benefits | **$ (167,957)** | $ (205,737) |
| Temporary difference not recorded | **167,957** | 205,737 |
| | **-** | - |

***(b) Deductible temporary differences not recognized***

As at December 31, 2023 the Company has the following deductible temporary differences for which no deferred tax has been recognized:

| | Year Ended 31-Dec-23 | | Year Ended 31-Dec-22 | |
|---|---|---|---|---|
| | **Federal** | **Québec** | **Federal** | **Québec** |
| Issuance costs and other | 223,450 | 223,450 | 329,705 | 329,705 |
| Capitalized financing fees | 22,547 | 22,547 | 22,547 | 22,547 |
| Non-capital losses | 4,818,662 | 4,797,527 | 4,097,607 | 4,079,069 |
| Total unrecognized deductible temporary differences | 5,064,660 | 5,043,524 | 4,449,859 | 4,431,321 |

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2023, deferred tax assets totalling $1,339,486 ($1,176,862 in 2022) have not been recognized.

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

| | Federal Amount | Quebec Amount |
|---|---|---|
| 2034 | 30,278 | 29,314 |
| 2035 | 321,161 | 314,512 |
| 2036 | 112,216 | 108,957 |
| 2037 | 103,878 | 100,417 |
| 2038 | 540,635 | 538,334 |
| 2039 | 370,705 | 370,197 |
| 2040 | 802,901 | 802,275 |
| 2041 | 930,856 | 930,086 |
| 2042 | 865,795 | 864,547 |
| 2043 | 740,237 | 738,888 |
| | **4,818,662** | **4,797,527** |

*(in Canadian dollars)*

## 13. Related party transactions

During the current year, the Company entered into transactions with shareholders and key management other than balances already disclosed in notes above. These transactions are in the normal course of operations. The balances are subject to normal terms of trade.

***Transactions with shareholders and key management***

| | ***2023*** | *2022* |
|---|---|---|
| Consulting fees paid to a director (former President and CEO) | **$ 65,000** | $ 120,000 |
| Consulting fees paid to the CEO | **50,832** | - |
| Consulting fees paid to the CFO | **84,000** | 84,000 |
| Professional fees paid to two directors | **15,000** | |
| Director's and audit committee members' fees | **70,000** | 31,199 |
| Share-based compensation to directors and officers | **340,629** | - |

## 14. Commitment

On November 20, 2020, the company entered into a 25-year water sales contract with Acquanor Inc. with an obligation to supply water at a price of $0.005 per litre of water for the first five years, $0.010 from year 6 to 10, $0.015 from year 11 to 15 and $0.02 from year 16 to 25, not exceeding 71 million litres for each year with no significant consequences in the event of breach.

## 15. Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***(a) Fair value of financial instruments***

The carrying values of cash, accounts payable and accrued liabilities, and lease liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. The carrying value of the long-term lease liability is considered to be a reasonable approximation of fair value as it is discounted at an approximate fair value rate.

***(b) Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company attempts to manage the liquidity risk resulting from its accounts payable by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. However, given the current cash position and foreseen cash inflows and outflows in the next 12 months, management believes that sufficient cash is available to fund the Company's operating expenses at least for the next 12 months.

***(c) Credit Risk***

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash with banks and advances to related parties.

There is no provision for expected credit losses given that there are no advances to related parties outstanding as at December 31, 2023.

The Company reduces credit risk by dealing with creditworthy financial institutions.

**15. Financial instruments and risk management***(Continued from previous page)*

***(d) Fair Value Hierarchy***

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company's cash are included in Level 1.

**16. Capital management**

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements.

**17. Events after the reporting period**

On January 21, 2024, the Company ("Prime") has entered into a binding letter of intent dated January 21, 2024 (the "Letter of Intent") with 9296-0186 Québec Inc. ("9296") whereby the Company will acquire all of the issued and outstanding common shares of Triani Canada Inc. ("Triani", and together with 9296, the "Vendor") from 9296 by way of business combination (the "Proposed Transaction").

The Letter of Intent contemplates that Prime and 9296 will negotiate and enter into a definitive agreement (the "Definitive Agreement"), whereby the parties will complete the Proposed Transaction by way of share exchange, merger, amalgamation, arrangement, takeover bid, share purchase or other similar form of transaction or a series of transactions that have similar effect, whereby Prime will acquire from 9296 all of the issued and outstanding common shares of Triani (the "Triani Shares") in exchange for the Consideration (as defined below), which will result in Triani (as the same exists at the relevant time), or such other entity that may be created for the purposes of completing the Proposed Transaction, becoming a wholly-owned subsidiary of Prime.

Pursuant to the Proposed Transaction, Prime will acquire the Triani Shares in exchange for (i) $2,000,000 in cash; and (ii) that number of common shares in the capital of Prime ("Prime Shares") having an aggregate value of $17,500,000, with each Prime Share to be issued at a deemed price to be determined by the parties, subject to adjustment (the "Consideration"). In addition to the Consideration, Prime intends pay an additional amount up to $18,500,000 (the "Bonus Consideration") to 9296 payable in Prime Shares if Triani reaches certain EBITDA targets in the financial years ended 2024, 2025 and 2026. The Prime Shares payable pursuant to the Bonus Consideration shall be issued at a deemed price equal to the 10-day volume-weighted average price of the Prime Shares as traded on the CSE, or such other stock exchange as the Prime Shares are then listed.

Prior to Closing, the Company intends to consolidate its outstanding Prime Shares on a 5:1 basis (the "Consolidation") resulting in 1 Prime Share outstanding following the Consolidation for every 5 Prime Shares outstanding prior to the Consolidation. Following the Consolidation, the Company expects it will have approximately 28,835,294 Prime Shares issued and outstanding on a non-diluted basis (and 3 excluding the Prime Shares issued as the Consideration and pursuant to a Concurrent Financing.

**SCHEDULE B**

**Audited Annual Financial Statements of Triani for the years ended March 31, 2024 and 2023**

**[*see attached*]**

**Financial Statements**

# Triani Canada Inc.

For the year ended March 31, 2024 and March 31, 2023

(Expressed in Canadian dollars)

To the Shareholders of Triani Canada Inc.:

## Qualified Opinions

We have audited the financial statements of Triani Canada Inc. (the "Company"), which comprise the statement of financial position as at March 31, 2024 , and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended March 31 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinon section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and its financial performance and its cash flows for the year ended March 31, 2024 in accordance with International Financial Reporting Standards.

## Basis for Qualified Opinion

Because we were appointed as auditors of Company during 2024, we were not able to observe the counting of physical inventories at the beginning of the year ended March 31, 2024 or satisfy ourselves concerning those inventory quantities by alternative means. Consequently, we were unable to determine whether any adjustments to the financial position as at March 31, 2023 might be necessary. Since opening inventories affect the determination of the financial performance and cash flows, we were unable to determine whether adjustments to the financial performance including cost of sales and cash flows might be necessary for the year ended March 31, 2024.

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 audits 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 our qualified audit opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss and had negative operating cash flows during the year ended March 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

## Responsibilities of Management and those charged with governance for the Financial Statements

Management and those charged with governance are responsible for the preparation and fair presentation of thefinancial 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.

**MNP S.E.N.C.R.L., s.r.l./LLP**
1155, boulevard René-Lévesque Ouest, 23e étage, Montréal (Québec) H3B 2K2 1.888.861.9724 Tél. : 514.861.9724 Téléc. : 514.861.9446

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.

### 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Montréal, Québec

MNP LLP[1]

October 1, 2024

[1] By CPA auditor, public accountancy permit No. A142237

MNP S.E.N.C.R.L./s.r.l./LLP

# Triani Canada Inc.

## Statements of Loss and Comprehensive Loss

For the year ended March 31, 2024 and 2023

| (In Canadian dollars, except per share amounts) | Note | For the year ended March 31, 2024 | For the year ended March 31, 2023 (unaudited) |
|---|---|---|---|
| **Revenues** | 5 | $ 16,833,976 | $ 34,101,079 |
| **Expenses** | | | |
| Operating expenses | 27 | 18,663,723 | 28,712,366 |
| Selling expenses | | 5,808,235 | 4,487,255 |
| Administrative expenses | | 3,752,868 | 6,670,116 |
| | | 28,224,826 | 39,869,737 |
| **Loss from operations** | | (11,390,850) | (5,768,658) |
| **Other expenses (income)** | | | |
| Financing expenses | 7 | 3,063,774 | 2,988,625 |
| Other income | 4 | (1,550,933) | — |
| | | 1,512,841 | 2,988,625 |
| **Loss before income taxes** | | (12,903,691) | (8,757,283) |
| Current income tax expense | 8 | — | 9,827 |
| Deferred income tax expense | | — | — |
| **Comprehensive loss** | | $ (12,903,691) | $ (8,767,110) |
| Net loss per share — Basic and diluted | 9 | (14.69) | — |
| Weighted average number of shares — Basic and diluted | 9 | 878,692 | — |

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

# Triani Canada Inc.

## Statements of Financial Position

As of March 31, 2024 and 2023

| (In Canadian dollars) | Note | March 31, 2024 | March 31, 2023 (Opening balance note 3) (unaudited) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | $ — | $ 700,442 |
| Trade and other receivables | 10 | 3,387,998 | 9,074,584 |
| Inventories | 11 | 7,978,396 | 12,765,805 |
| Other current assets | | 62,295 | 158,729 |
| | | 11,428,689 | 22,699,560 |
| **Non-current assets** | | | |
| Property and equipment | 12 | 12,696,998 | 13,778,274 |
| Right-of-use assets on leases | 13 | 11,731,960 | 7,684,594 |
| Intangible assets | 14 | 242,886 | 344,157 |
| Other non-current assets | | 137,199 | 9,639 |
| **Total assets** | | $ 36,237,732 | $ 44,516,224 |
| **Liabilities and Equity** | | | |
| **Current liabilities** | | | |
| Credit facility | 15 | $ 14,054,470 | $ 11,891,799 |
| Accounts payable and accrued liabilities | 16 | 11,083,775 | 11,013,552 |
| Note payable to the parent company | 18 | — | 3,027,534 |
| Current portion of related party long-term debt | 17 | 18,336,336 | 18,820,078 |
| Current portion of lease liabilities | 19 | 1,872,000 | 1,983,408 |
| | | 45,346,581 | 46,736,371 |
| **Non-current liabilities** | | | |
| Related party long-term debt | 17 | 40,000 | 66,290 |
| Lease liabilities | 19 | 10,069,066 | 6,599,187 |
| Other liabilities | 20 | 2,137,540 | — |
| **Total liabilities** | | 57,593,187 | 53,401,848 |
| **Shareholders' equity** | | | |
| Share capital | 21 | 5,551,001 | — |
| Deficit | | (26,906,456) | (8,885,624) |
| **Total equity** | | (21,355,455) | (8,885,624) |
| **Total liabilities and equity** | | $ 36,237,732 | $ 44,516,224 |

Subsequent events (note 28)
Basis of preparation (note 2)
Going concern (note 2)

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

Approved by the Board of Directors,

Tristan Bourgeois Cousineau, président

Joannie Couture, Directrice générale

# Triani Canada Inc.

## Statements of Changes in Equity

For the year ended March 31, 2024 and 2023

| (In Canadian dollars, except number of share capital) | Note | Share Capital<br>Number | <br>Amount | Deficit | Total shareholders' equity |
|---|---|---|---|---|---|
| **Balance at April 1, 2022 (unaudited)** | | — $ | — $ | — $ | — |
| Combination under common control – 9372-2858 Québec Inc. | 2,18 | — | — | 4,339,915 | 4,339,915 |
| Combination under common control – Glutenberg Group Inc. | 2, 18 | — | — | (4,458,429) | (4,458,429) |
| Net loss | | — | — | (8,767,110) | (8,767,110) |
| **Balance at March 31, 2023 (unaudited)** | | — | — | (8,885,624) | (8,885,624) |
| Merger of Triani Canada Inc., previously doing business as Glutenberg Group Inc., 9321-8477 Québec Inc (doing business as Oshlag) and Microbrasserie Vox Populi Inc. | 2 | 878,692 | 5,551,001 | (5,551,001) | — |
| Initial measurement of advance from parent company | 20 | — | — | 433,860 | 433,860 |
| Net loss | | — | — | (12,903,691) | (12,903,691) |
| **Balance at March 31, 2024** | | 878,692 $ | 5,551,001 $ | (26,906,456) $ | (21,355,455) |

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

# Triani Canada Inc.

## Statements of Cash Flows

For the year ended March 31, 2024 and 2023

| (In Canadian dollars) | Note | For the year ended March 31, 2024 | For the year ended March 31, 2023 (unaudited) |
|---|---|---|---|
| **Operating activities:** | | | |
| Net loss | | $ (12,903,691) | $ (8,767,110) |
| Adjustments for: | | | |
| Depreciation and write-off of property and equipment | 12 | 2,581,779 | 2,057,448 |
| Loss on disposal of property and equipment | 12 | (68,275) | — |
| Depreciation of right-of-use assets | 13 | 1,345,376 | 1,346,542 |
| Gain on lease termination | 7 | (924,400) | (62,464) |
| Amortization of intangible assets | 14 | 92,810 | 79,841 |
| Amortization of deferred financing fees | 7,17 | 7,088 | — |
| Interest expenses | | 2,969,262 | 1,973,182 |
| Effective interest rate advance from parent company | | 74,887 | — |
| Provision for damaged and obsolete inventories | | 1,168,558 | — |
| Expected credit losses | | 50,000 | — |
| | | (5,606,606) | (3,372,562) |
| Net change in non-cash operating items | 22 | 8,408,143 | 1,759,801 |
| | | 2,801,537 | (1,612,761) |
| **Financing activities:** | | | |
| Increase of credit facility | 15 | 2,162,671 | 7,287,129 |
| Repayment of long-term debt | 17 | (458,046) | (283,523) |
| Deferred financing fees | 17 | (59,074) | — |
| Repayment of lease liabilities | 19 | (1,994,782) | (1,929,650) |
| Interest on lease liabilities | 19 | 884,911 | 731,092 |
| Note payable | | — | — |
| Interest paid on debt | | (2,605,431) | (1,973,182) |
| | | (2,069,751) | 3,831,866 |
| **Investing activities:** | | | |
| Additions to property and equipment | 12,22 | (1,432,228) | (1,518,663) |
| | | (1,432,228) | (1,518,663) |
| Decrease / (increase) in cash and cash equivalents | | (700,442) | 700,442 |
| Cash and cash equivalents, beginning of year | | 700,442 | — |
| Cash and cash equivalents, end of year | | $ — | $ 700,442 |

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

(In Canadian dollars, unless otherwise stated)

## 1. Background and Nature of operations

Triani Canada Inc. (the "Company") or ("Triani") is a Québec-based entity involved in the production, bottling and sale of alcoholic and non-alcoholic beverages across North America.

Triani was formed on April 1, 2023, following a reorganization and merger of certain entities consolidated in Glutenberg Group Inc. ("Glutenberg"). These entities included 9321-8477 Québec Inc. (doing business under "Oshlag"), Microbrasserie Vox Populi Inc. and Glutenberg Group Inc. Additionally, on April 1, 2023, Triani Canada Inc. acquired certain assets and assumed certain liabilities of 9372-2858 Québec Inc ("2858"). Glutenberg along with all its subsidiaries, was acquired by 2858 in a share purchase transaction on August 12, 2022. As at March 31, 2024, 9296-0186 Québec Inc is the ultimate parent company of Triani ("the parent company").

Triani's head office and principal address is 901 Rue des Forges, Terrebonne, QC J6Y 1V2.

## 2. Basis of preparation

**Creation of Triani**

Glutenberg was a Québec-based group involved in the production, bottling and sale of alcoholic and non-alcoholic beverages across North America. Glutenberg had three wholly owned subsidiaries, namely 9321-8477 Québec Inc. (doing business under Oshlag), Microbrasserie Vox Populi Inc. and Transbroue Inc. On April 1, 2023, Glutenberg, Oshlag and Microbrasserie Vox Populi Inc. merged to create Triani Canada Inc. Transbroue Inc. was disposed to the ultimate parent company, 9296-0186 Québec Inc.

**Comparative figures – March 31, 2023**

Prior to the reorganization, Triani was not operating as a stand-alone entity and as a result, the financial information as at, and for the period ended March 31, 2023, are presented on a combined carve-out basis that includes only the legal entities that were merged into Triani (i.e. Oshlag, Microbrasserie Vox Populi Inc. and Glutenberg Group Inc.), and certain assets acquired and certain liabilities assumed, representing the transferred operations of 2858.

Specifically, it comprises of the following:

- The carve-out statement of financial position as at March 31, 2023, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended March 31, 2023 relating to the net assets, and results of operations of 2858 that were transferred to Triani on April 1, 2023. 2858 was primarily involved in the production, bottling and sale of alcoholic and non-alcoholic beverages across North America.
- The carve-out statement of financial position as at March 31, 2023, and the statements of loss and comprehensive loss, changes in equity and cash flows for the period from August 12, 2022 up to March 31, 2023 of Oshlag, Microbrasserie Vox Populi Inc., and Glutenberg Group Inc.
- The comparative figures as at and for the year ended March 31, 2023 do not represent a specific legal entity but rather relate to the combination of the financial position and results of operations as described above.
- The opening equity as at April 1, 2022 is nil, as the reorganization, merger and transfer of assets and operations have been reflected as net assets (liabilities) transferred and results of operations during the period ended March 31, 2023, for the purpose of presenting comparatives.
- The combined carved out financial statements include the assets and liabilities of the combining entities, and businesses, and are reflected at their carrying amounts as all entities and businesses combined were under common control.

The net liabilities of Glutenberg amounted to $4,458,429 and were presented against deficit (note 18).

The net assets of 2858 amounted to $4,339,915 and were presented against deficit (note 18).

GOING CONCERN

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of $12,903,691, had a deficit of $26,906,456 and a working capital deficiency of $33,917,892. Whether and when the Company can attain profitability and positive cash flows is uncertain.

The above factors indicate that a material uncertainty exists that raises significant doubt about the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, generate positive cashflows from operations in the foreseeable future, is dependent upon Management’s ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. To address its financing requirements, the Company is seeking financing, refer to note 28 for details of the Transaction.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

## 3. Material accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Company.

### (A) FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in profit or loss. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

(In Canadian dollars, unless otherwise stated)

### (B) FINANCIAL INSTRUMENTS

**FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and is not designated as at fair value through profit and loss:

- The asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company currently classifies its cash and cash equivalents, and trade and other receivables as financial assets measured at amortized cost.

*Financial assets measured at fair value*

All equity investments and other financial assets that do not meet the conditions to be classified as financial assets measured at amortized cost are measured at fair value through profit and loss.

Changes therein, including any interest or dividend income, are recognized in profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers not retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

*Financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially measured at fair value. If the financial liabilities are not subsequently accounted for at fair value through profit or loss, then the initial measurement includes directly attributable transaction costs.

The Company classifies all financial liabilities at amortized cost using the effective interest method. Such liabilities shall be subsequently measured at fair value.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset, and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. With respect to certain categories of financial assets, such as trade and other receivables, assets that are not individually determined to be impaired are measured for impairment on an aggregate basis. Objective evidence of impairment in the trade and other receivables portfolio may include the Company's past experience with debt recovery, an increased number of days exceeding payment terms in the portfolio, as well as a change - internationally or nationally - in economic conditions correlating with default payments in trade and other receivables.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as an amount equal to the lifetime expected credit losses. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed. The reversal is recognized to the extent of the improvement without exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

### (C) REVENUE RECOGNITION

#### CONTRACTS WITH CUSTOMERS

The Company records revenues from contracts with customers in accordance with the five steps in *IFRS 15 Contracts with customers* as follows:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price, which is the total consideration provided by the customer;
4) Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5) Recognize revenues when the relevant criteria are met for each performance obligation.

Revenues are measured based on the value of the expected consideration in a contract with a customer and are recognized at a point in time when control of a product or service is transferred to a customer. The transfer of control occurs when the Company delivers the goods to the customer and the latter accepts the products. Revenue is stated net of incentives, discounts and returns. When the products are sold through an agent or under consignment arrangements, revenue is not recognized until control has transferred, which is when the end customer receives and accepts delivery of the products.

The Company derives the majority of revenues from brands they own and brew itself. The Company also sells certain non-owned brands under arrangements with other brewers. Sales from such business are included in revenue. The revenue from non-owned brands is recognized similar to branded products when the customer receives and accepts delivery of products.

### (D) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested, Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on revolving facility, unwinding of the discount on provisions, amortization of deferred financing costs, foreign exchange (gain) loss and impairment losses recognized on financial assets.

The Company recognizes finance income and finance costs as a component of operating activities in the statements of cash flows.

### (E) INCOME TAXES

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Deferred tax assets are measured at the end of each reporting year and their carrying amount is reduced to the extent that it is no longer probable that a taxable profit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### (F) LOSS PER SHARE

Basic loss per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year adjusted to include any dilutive impact. The number of additional shares is calculated by assuming that all instruments with a dilutive effect are exercised and that the proceeds from such exercises are used to repurchase common shares at the average share price for the year.

The computation of diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect.

### (G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks.

### (H) INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out cost method, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition to sell. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. If the net realizable value is less than cost, inventories are written down. If the net realizable value subsequently increases, a reversal of the loss initially recognized is applied to cost of sales.

The Company's inventories include raw materials (materials and supplies to be consumed in the production process), brews in progress (in the process of production for sale) and finished product held for sale in the ordinary course of business.

### (I) PROPERTY AND EQUIPMENT

#### RECOGNITION AND MEASUREMENT

Items of property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the item and restoring the site on which it is located, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components).

The cost of assets under construction includes direct construction or development costs attributable to the construction or development activity. Such costs are accumulated until completion and then transferred to the appropriate category.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit or loss.

#### SUBSEQUENT COSTS

The cost of replacing a part of an item of property and 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 cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

#### DEPRECIATION

Depreciation is calculated over the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

| Property and equipment | Method | Period |
|---|---|---|
| Equipment | Straight-line | 2 to 20 years |
| Vehicles | Declining | 20% |
| Leasehold improvements | Straight-line | Lease term |
| Others (office and computer equipment) | Declining | 20% |

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting year-end and adjusted if appropriate prospectively.

### (J) INTANGIBLE ASSETS

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

The fair value of non-compete agreements acquired in a business combination are based on the discounted estimated revenues losses that have been avoided as a result of the non-compete being signed.

#### AMORTIZATION

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the definite life intangible assets.

The estimated useful lives for the current and comparative years are as follows:

| Intangible assets | Period |
|---|---|
| Licenses, website application and computer software | 1 to 5 years |
| Non-compete agreement | 3 to 5 years |

Estimates for amortization methods, useful lives and residual values are reviewed at each reporting year-end and adjusted if appropriate prospectively.

### (K) LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties for which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component. The right-of-use asset and a lease liability are recognized at the lease commencement date.

#### RIGHT-OF-USE ASSETS ON LEASES

The right-of-use asset is measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred, less any lease incentives received, if any.

The cost of right-of-use assets is periodically reduced by amortization expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are amortized to reflect the expected pattern of consumption of the future economic benefits which is based on the lesser of the useful life of the asset or the lease term using the straight-line method. The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 1 to 10 years for buildings and equipment and from 1 to 5 years for vehicles.

The Company elected not to recognize a right-of-use asset and liability for leases where the total lease term is less than or equal to twelve months and for leases of low value assets; such as but not limited to, office equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

#### LEASE LIABILITIES

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggered the payment has occurred.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### (L) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life and property and equipment on each reporting date in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amount of goodwill is tested for impairment each year at the same date, or more frequently if indications of impairment exist.

For impairment testing purposes, assets that cannot be tested individually are grouped in Cash Generating Unit (“CGU”). Goodwill is allocated to the CGU or CGU group that is expected to benefit from the synergies resulting from the business combination. Each unit or group of units to which goodwill is allocated shall not be larger than an operating segment and represents the lowest level at which goodwill is monitored for internal management purposes.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU on a pro rata basis.

### (M) PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### CONTINGENT LIABILITY

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

(In Canadian dollars, unless otherwise stated)

### (N) EMPLOYEE BENEFITS

#### SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### (O) SHARE CAPITAL

Common shares are classified as equity. Incremental costs that are directly attributable to their issuance are recognized in reduction of equity, net of tax effects.

## 4. Other Income

As indicated in note 15, a financial institution had provided a credit facility to the Company, and which was also guaranteed by Transbroue inc. In February 2024, Transbroue Inc. was involved in a bankruptcy arrangement. The financial institution was first ranking creditor and therefore was eligible to collect any funds that Transbroue Inc. was entitled from revenue generated prior to bankruptcy. Such funds amounting to $1,357,933 were used to offset the credit facility and was recorded as other income.

## 5. Revenues

### DISAGGREGATION OF REVENUES

The following table presents the Company's revenues disaggregated by primary geographical market and product.

| | 2024 | 2023 (unaudited) |
|---|---|---|
| **Geography** | | |
| Canada | $ 12,661,383 | $ 30,917,632 |
| United States | 4,172,593 | 3,183,447 |
| | 16,833,976 | 34,101,079 |
| **Products** | | |
| Production and brewing of alcoholic and non-alcoholic beverages (1) | 16,751,196 | 34,015,631 |
| Other revenues (1) | 82,780 | 85,448 |
| | $ 16,833,976 | 34,101,079 |

(1) recognized at a point in time

Portion of the revenue was earned from the Company's arrangement with a related party (i.e. Transbroue Inc.), whereby Transbroue acted as an agent involved in the sale of the Company's products to ultimate customers. Such revenue amounted to $5,607,327 during the year ended March 31, 2024 (2023 – $5,907,797). Additional information on cost of sales relating to transfer of products to Transbroue Inc., for which consideration was not received, is provided in note 27.

(In Canadian dollars, unless otherwise stated)

## 6. Other information

Expenses by nature are as follows:

| | 2024 | 2023 (unaudited) |
|---|---|---|
| Salaries and other short-term employee benefits | $ 6,276,241 | $ 5,981,886 |
| Delivery costs and exportation | 2,362,308 | 2,234,417 |
| Depreciation of property and equipment | 2,581,779 | 2,057,447 |
| Depreciation of right-of-use assets | 1,345,376 | 1,346,542 |
| Amortization of intangible assets | 92,810 | 79,841 |

## 7. Financing expenses

| | 2024 | 2023 (unaudited) |
|---|---|---|
| Interest expense | $ 2,969,262 | $ 1,973,182 |
| Amortization of deferred financing fees | 7,088 | — |
| Transaction costs | 120,533 | 19,282 |
| Interest expense on lease liabilities | 884,911 | 731,092 |
| Gain on lease termination | (924,400) | (62,463) |
| Accretion relating to advance from parent company | 74,887 | — |
| Gain on disposition | — | 181,838 |
| Foreign exchange loss | (68,507) | 145,694 |
| | $ 3,063,774 | $ 2,988,625 |

## 8. Income taxes

The following table reconciles income tax computed at the Canadian statutory rate of 20.5% and the total income tax expense for the year ended March 31, 2024:

| | 2024 | 2023 (unaudited) |
|---|---|---|
| Loss before income taxes | $ (12,903,691) | $ (8,757,283) |
| Income tax at the combined Canadian statutory rate | (2,645,257) | (1,795,243) |
| Permanent Differences and other | 189,502 | (24,472) |
| Effect of temporary differences not recognized | 2,455,755 | 1,829,542 |
| Total income tax expense | $ — | $ 9,827 |

### SIGNIFICANT ESTIMATE

Recorded income taxes and tax credits are subject to review and approval by tax authorities and therefore, final amounts could be different from the amounts recorded.

(In Canadian dollars, unless otherwise stated)

### RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

The tax effects of significant components of temporary differences that give rise to deferred tax liabilities are as follows:

| | | March 31, 2024 | | March 31, 2023 (unaudited) |
|---|---|---|---|---|
| Deferred tax asset | | | | |
| Intangibles | $ | 76,540 | $ | 28,080 |
| Non-capital losses available for carryforward | | 553,865 | | 1,077,218 |
| Other liabilities | | 88,941 | | — |
| Lease liability | | 2,447,919 | | 1,759,432 |
| Deferred tax liabilities | | | | |
| Property and equipment | | (762,213) | | (1,289,388) |
| Right-of-use of asset on lease | | (2,405,052) | | (1,575,342) |
| Net deferred tax assets (liabilities) | $ | — | $ | — |

### UNRECOGNIZED DEFERRED TAX ASSETS

The Company has operating tax losses carried forward of $20,981,540 that are available to reduce future taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As at March 31, 2024, the amounts and expiry dates of the tax losses carried forward were as follows:

| | March 31, 2024 |
|---|---|
| 2039 | 84,592 |
| 2040 | 3,100,754 |
| 2041 | 907,706 |
| 2042 | 2,801,912 |
| 2043 | 3,186,706 |
| 2044 | 10,899,870 |
| | $ 20,981,540 |

(1) Represents tax losses carried forward as per federal jurisdiction and tax losses available as per provincial jurisdictions may differ.

## 9. Earnings per share

| | | 2024 | | 2023 (unaudited) |
|---|---|---|---|---|
| Net loss | $ | (12,903,691) | $ | (8,767,110) |
| Basic weighted average number of common shares | | 878,692 | | — |
| Loss per share — Basic and diluted | $ | (14.69) | $ | — |

(In Canadian dollars, unless otherwise stated)

## 10. Trade and other receivables

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| Trade receivables | $ 3,319,365 | $ 6,753,052 |
| Expected credit losses | (50,000) | — |
| Other receivables | 5,323 | — |
| Sales taxes receivable | 113,310 | 2,663 |
| Receivables from related parties | — | 2,318,869 |
| | $ 3,387,998 | $ 9,074,584 |

Receivables from related parties bear no interest, have no maturity date and consist mainly of operating trade receivables. They were collected during the year ended March 31, 2024.

The above trade and other receivables are considered as collateral in connection with the guarantees provided for borrowings (note 17).

## 11. Inventories

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| Raw materials | $ 2,085,975 | $ 6,833,114 |
| Brews in progress | 1,618,361 | 740,726 |
| Finished product | 4,274,060 | 5,191,965 |
| | $ 7,978,396 | $ 12,765,805 |

During the year ended March 31, 2024, charges of $1,168,558 (2023 – $53,973) were recorded to the statements of loss and comprehensive loss in operating expenses relating to damaged or obsolete inventories. During the year ended March 31, 2024, inventory charges of $13,721,268 (2023 – $7,821,685) were recorded in cost of sales presented in operating expenses in the statement of loss and comprehensive loss. There were no reversals of amounts previously recorded in respect of inventory write-downs during the year ended March 31, 2024.

The above inventories are considered as collateral in connection with the guarantees provided for borrowings (note 17).

(In Canadian dollars, unless otherwise stated)

## 12. Property and equipment

| | Equipment | Vehicles | Leasehold improvements | Capital asset under construction | Other | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance at April 1, 2022 (unaudited) | $ — | $ — | $ — | $ — | $ — | $ — |
| Combination under common control – 9372-2858 Québec Inc | 6,309,104 | — | 120,331 | 2,621,077 | 297,566 | 9,348,078 |
| Combination under common control – Glutenberg Group Inc. | 10,258,393 | 264,542 | 1,456,026 | 152,391 | 305,493 | 12,436,845 |
| Additions | 1,015,308 | — | — | 400,702 | 102,653 | 1,518,663 |
| Write-off | — | (70,005) | — | — | — | (70,005) |
| Balance at March 31, 2023 (unaudited) | 17,582,805 | 194,537 | 1,576,357 | 3,174,170 | 705,712 | 23,233,581 |
| Additions | — | — | — | 1,432,228 | — | 1,432,228 |
| Reclassifications | 4,567,905 | 28,354 | — | (4,606,398) | 10,139 | — |
| Disposals | (101,046) | — | — | — | — | (101,046) |
| Balance at March 31, 2024 | $ 22,049,664 | $ 222,891 | $ 1,576,357 | $ — | $ 715,851 | $ 24,564,763 |
| **Accumulated depreciation:** | | | | | | |
| Balance at April 1, 2022 (unaudited) | $ — | $ — | $ — | $ — | $ — | $ — |
| Combination under common control – 9372-2858 Québec Inc | 1,150,602 | — | 5,761 | — | 193,869 | 1,350,232 |
| Combination under common control – Glutenberg Group Inc. | 4,804,142 | 260,242 | 756,816 | — | 296,433 | 6,117,633 |
| Depreciation for the year | 1,773,153 | 4,300 | 225,819 | — | 54,175 | 2,057,447 |
| Disposals and write-off | — | (70,005) | — | — | — | (70,005) |
| Balance at March 31, 2023 (unaudited) | 7,727,897 | 194,537 | 988,396 | — | 544,477 | 9,455,307 |
| Depreciation for the year | 2,335,330 | 11,692 | 193,171 | — | 41,586 | 2,581,779 |
| Disposals | (169,321) | — | — | — | — | (169 321) |
| Balance at March 31, 2024 | $ 9,893,906 | $ 206,229 | $ 1,181,567 | $ — | $ 586,063 | $ 11,867,765 |
| **Net carrying amounts:** | | | | | | |
| April 1, 2022 (unaudited) | $ — | $ — | $ — | $ — | $ — | $ — |
| March 31, 2023 (unaudited) | $ 9,854,908 | $ — | $ 587,961 | $ 3,174,170 | $ 161,235 | $ 13,778,274 |
| March 31, 2024 | $ 12,155,758 | $ 16,662 | $ 394,790 | $ — | $ 129,788 | $ 12,696,998 |

Depreciation of property and equipment is presented in operating expenses for an amount of $2,435,361 (2023 – $1,949,429), in selling expenses for an amount of $139,232 (2023 – $100,085) and in administrative expenses for an amount of $7,186 (2023 – $7,933) in the statements of loss and comprehensive loss.

The above property and equipment have been given as guarantees / collateral for borrowings (note 17).

(In Canadian dollars, unless otherwise stated)

## 13. Right-of-use assets on leases

| | | Land and buildings | | Equipment | | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance at April 1, 2022 (unaudited) | $ | — | $ | — | $ | — |
| Combination under common control – 9372-2858 Québec Inc | | 10,561,473 | | 21,445 | | 10,582,918 |
| Combination under common control – Glutenberg Group Inc. | | 844,387 | | — | | 844,387 |
| Termination | | (484,220) | | — | | (484,220) |
| Balance at March 31, 2023 (unaudited) | | 10,921,640 | | 21,445 | | 10,943,085 |
| Additions | | 14,211,132 | | — | | 14,211,132 |
| Termination | | (12,562,813) | | — | | (12,562,813) |
| Balance at March 31, 2024 | $ | 12,569,959 | $ | 21,445 | $ | 12,591,404 |
| **Accumulated depreciation:** | | | | | | |
| Balance at April 1, 2022 (unaudited) | $ | — | $ | — | $ | — |
| Combination under common control – 9372-2858 Québec Inc | | 2,112,295 | | 21,445 | | 2,133,740 |
| Depreciation for the year | | 1,346,542 | | — | | 1,346,542 |
| Termination | | (221,791) | | — | | (221,791) |
| Balance at March 31, 2023 (unaudited) | $ | 3,237,046 | $ | 21,445 | $ | 3,258,491 |
| Depreciation for the year | | 1,345,376 | | — | | 1,345,376 |
| Termination | | (3,744,423) | | — | | (3,744,423) |
| Balance at March 31, 2024 | $ | 837,999 | $ | 21,445 | $ | 859,444 |
| **Net carrying amounts:** | | | | | | |
| April 1, 2022 (unaudited) | $ | — | $ | — | $ | — |
| March 31, 2023 (unaudited) | $ | 7,684,594 | $ | — | $ | 7,684,594 |
| March 31, 2024 | $ | 11,731,960 | $ | — | $ | 11,731,960 |

Depreciation of right-of-use assets on leases is presented in operating expenses for an amount of $1,345,376 (2023 – $1,286,872) and in administrative expenses for an amount of $nil (2023 – $59,670) in the statements of loss and comprehensive loss.

(In Canadian dollars, unless otherwise stated)

## 14. Intangible assets

| | Licences, website application and computer software | Non-compete agreement | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance at April 1, 2022 (unaudited) | $ — | $ — | $ — |
| Combination under common control – 9372-2858 Québec Inc | 308,461 | — | 308,461 |
| Combination under common control – Glutenberg Group Inc. | — | 717,582 | 717,582 |
| Balance at March 31, 2023 (unaudited) | $ 308,461 | $ 717,582 | $ 1,026,043 |
| Additions | 152,500 | — | 152,500 |
| Disposal | (308,461) | — | (308,461) |
| Balance at March 31, 2024 | $ 152,500 | $ 717,582 | $ 870,082 |
| **Accumulated depreciation:** | | | |
| Balance at April 1, 2022 (unaudited) | $ — | $ — | $ — |
| Combination under common control – 9372-2858 Québec Inc | 120,000 | — | 120,000 |
| Combination under common control – Glutenberg Group Inc. | — | 482,045 | 482,045 |
| Amortization for the year | 27,500 | 52,341 | 79,841 |
| Balance at March 31, 2023 (unaudited) | $ 147,500 | $ 534,386 | $ 681,886 |
| Amortization for the year | — | 92,810 | 92,810 |
| Disposal | (147,500) | | (147,500) |
| Balance at March 31, 2024 | $ — | $ 627,196 | $ 627,196 |
| **Net carrying amounts:** | | | |
| April 1, 2022 (unaudited) | $ — | $ — | $ — |
| March 31, 2023 (unaudited) | $ 160,961 | $ 183,196 | $ 344,157 |
| March 31, 2024 | $ 152,500 | $ 90,386 | $ 242,886 |

Amortization of intangibles assets is presented in administrative expenses in the statements of loss and comprehensive loss.

The above intangible assets have been given as guarantees / collateral for borrowings (note 17).

(In Canadian dollars, unless otherwise stated)

## 15. Credit facility

The Company has a credit facility with an authorized amount of $20,000,000 at the base rate plus 1.00%. This line of credit is secured by a first-ranking hypothec of $30,000,000 on all the movable property of the Company, both tangible and intangible, present and future including the entirety of the inventory, trade receivables, equipment and intangibles. The line of credit is guaranteed by the surety of directors and related companies including Transbroue inc. For the guarantee provided to the lenders to be compliant, the surety given by Transbroue Inc. was reallocated to the other guaranteed assets of the Company and those of related companies.

As of March 31, 2024 and March 31, 2023, the Company did not comply with certain covenants, which allows financial institutions to demand early repayments. These debts are presented as current liabilities.

| | | |
|---|---|---|
| **Credit facility as at April 1, 2022 (unaudited)** | **$** | **—** |
| Combination under common control – 9372-2858 Québec Inc | | 1,322,619 |
| Combination under common control – Glutenberg Group Inc. | | 3,282,051 |
| Increase | | 7,287,129 |
| **Credit facility as at March 31, 2023 (unaudited)** | **$** | **11,891,799** |
| Increase | | 2,162,671 |
| **Credit facility as at March 31, 2024** | **$** | **14,054,470** |

## 16. Accounts payable and accrued liabilities

| | | **March 31, 2024** | | **March 31, 2023 (unaudited)** |
|---|---|---|---|---|
| Trade payables | $ | 8,599,086 | $ | 7,812,171 |
| Accrued liabilities | | 1,958,983 | | 881,340 |
| Sales taxes payable | | — | | 8,939 |
| Payable to related parties | | — | | 1,039,815 |
| Advances from related parties | | 131,399 | | 1,071,717 |
| Interest accrual | | 363,831 | | — |
| Other payables | | 30,476 | | 199,570 |
| | $ | 11,083,775 | $ | 11,013,552 |

Payables to related parties and advances from related parties (entities under common control) bear no interest and have no specified repayment terms. .

(In Canadian dollars, unless otherwise stated)

## 17. Related-party Long-term debt

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| Term loan, at an annual average interest rate of 9.4% which is Canadian base rate plus the applicable spread based on a certain ratio, with an initial amount of $8,630,000, secured by a hypothec of $18,000,000, on a pari passu basis with a second lender, encumbering all their movable property, both tangible and intangible, present and future, including patents and trademarks, and guaranteed by the surety of directors and related companies, repayable in monthly installments of $79,907.37 from September 2023 to August 2032.(1) (2) | $ 8,310,370 | $ 8,630,000 |
| Term loan, at an annual average interest rate of 8.4% which is Canadian base rate plus the applicable spread based on a certain ratio with an initial amount of $8,630,000, secured by a hypothec of $18,000,000, on a pari passu basis with a second lender, encumbering all their movable property, both tangible and intangible, present and future, including patents and trademarks, and guaranteed by the surety of directors and related companies, repayable in monthly installments of $79,900 from September 2023 to August 2032.(1) (2) | 8,550,100 | 8,630,000 |
| Term loan, at an annual average interest rate of 11.3% which is the Canadian base rate plus the applicable spread based on a certain ratio, with an initial amount of $2,000,000, secured by a second ranking hypothec of $3,000,000, encumbering all their movable property, both tangible and intangible, present and future, and guaranteed by the surety of directors and related companies, repayable in 23 monthly installments of $18,510 from September 2023 to August 2025 with a final principal installment of $1,574,270, payable in August 2025.(1) (2) | 1,495,724 | 1,509,696 |
| Term loans with fixed interest rates ranging from 0% to 6% and at the base rate plus 1.75%, repayable in monthly installments ranging from $2,919 to $8,333, principal only, maturing between January 2023 and June 2026.(1) (2) | 32,128 | 76,672 |
| Term loan granted under the Federal Canadian Emergency Business Account program, interest-free, maturing on December 31, 2026. | 40,000 | 40,000 |
| Total long-term debt | $ 18,428,322 | $ 18,886,368 |
| Deferred financing fees | (51,986) | — |
| | 18,376,336 | 18,886,368 |
| Current | $ 18,336,336 | $ 18,820,078 |
| Non-current | $ 40,000 | $ 66,290 |

(1) As at March 31, 2023, the above debts related to loans obtained from financial institutions by 2858. Subsequent to the reorganization, these loans were included as part of the liabilities transferred to the Company. The legal transfer of these loans has not been undertaken by the financial institutions, for whom 2858 remains the obligor. The relevant assets (tangible and intangible) considered as collateral for these loans that were provided by 2858 to the financial institutions have also not been legally transferred to the Company. The Company has recognized these assets and corresponding loan liabilities as part of the net assets (liabilities) transferred by 2858. The loan liabilities ultimately due to the financial institutions have been reflected as related party debt payable to 2858. Terms of the related party debt are exactly similar to the terms prescribed by the financial institutions.

(2) As of March 31, 2024 and March 31, 2023, the Company did not comply with certain covenants related to the above borrowings, which allows the financial institutions to demand early repayments. Between April and June 2024, due to Triani's default under the terms of the debt agreements, the Company had a forbearance agreement where the lenders agreed to forbear from the exercise of certain recourses against Triani Canada Inc and other parties until July 31, 2024.

(In Canadian dollars, unless otherwise stated)

Triani Canada inc. is currently in default of its obligations pursuant to the forbearance agreements and is presently working on solutions to cure such defaults. Thus, related debts are presented as current liabilities in the statement of financial position.

| | | |
|---|---|---|
| **Long-term debt as at April 1, 2022 (unaudited)** | **$** | — |
| Combination under common control – 9372-2858 Québec Inc | | 10,539,891 |
| Combination under common control – Glutenberg Group Inc. | | 8,630,000 |
| Repayment | | (283,523) |
| **Long-term debt as at March 31, 2023 (unaudited)** | **$** | **18,886,368** |
| Deferred financing fees | | (59,074) |
| Repayment | | (458,046) |
| Amortization of financing fees | | 7,088 |
| **Long-term debt as at March 31, 2024** | **$** | **18,376,336** |

## 18. Combination under common control

For the year ended March 31, 2023, the table below presents the net assets (liabilities) transferred as combination under common control:

| | | Combination under common control – 9372-2858 Québec Inc (unaudited) | | Combination under common control – Glutenberg Group Inc. (unaudited) |
|---|---|---|---|---|
| Trade and other receivables | $ | 12,238,258 | $ | 3,580,064 |
| Inventory | | 7,002,742 | | 3,649,024 |
| Other current assets | | — | | 530,223 |
| Property and equipment | | 7,997,846 | | 6,319,213 |
| Right-of-use of asset on leases | | 8,449,178 | | 844,387 |
| Intangible assets | | 188,461 | | 235,538 |
| Credit facility | | (1,322,619) | | (3,282,051) |
| Accounts payable and accrued liabilities | | (7,623,485) | | (6,621,822) |
| Note payable to the parent company | | (3,027,534) | | — |
| Long-term debt | | (10,539,891) | | (8,630,000) |
| Lease liabilities | | (9,023,041) | | (1,083,005) |
| | $ | 4,339,915 | $ | (4,458,429) |

Following the combination under common control of 9372-2858 Québec Inc., the Company contracted a note payable with the parent company for $3,027,534. The note payable is unsecured, bears no interest and has no maturity date. During the year ended March 31, 2024, the Company provided certain services and incurred expenses on behalf of the parent company aggregating to approximately $3.4 million, which resulted in a receivable outstanding from the parent company of $3,420,785, as at March 31, 2024. The note payable was offset against this receivable as at March 31, 2024. The remaining outstanding amount of the receivable of $393,251 was offset against amounts due to the parent company (note 20).

(In Canadian dollars, unless otherwise stated)

## 19. Lease liabilities

The following table presents a summary of the activity related to the lease liabilities of the Company for year ended March 31, 2024:

| | | Land and building | | Equipment | | Total |
|---|---|---|---|---|---|---|
| **Lease liabilities as at April 1, 2022 (unaudited)** | **$** | — | $ | — | $ | — |
| Combination under common control – 9372-2858 Québec Inc | $ | 9,005,540 | $ | 17,501 | $ | 9,023,041 |
| Combination under common control – Glutenberg Group Inc. | | 1,083,005 | | — | | 1,083,005 |
| Termination | | (324,893) | | — | | (324,893) |
| Payment of lease liabilities | | (1,922,438) | | (7,212) | | (1,929,650) |
| Interest expense on lease liabilities | | 730,402 | | 690 | | 731,092 |
| **Lease liabilities as at March 31, 2023 (unaudited)** | $ | **8,571,616** | $ | **10,979** | $ | **8,582,595** |
| Additions | | 14,211,132 | | — | | 14,211,132 |
| Termination | | (9,742,790) | | — | | (9,742,790) |
| Payment of lease liabilities | | (1,983,410) | | (11,372) | | (1,994,782) |
| Interest expense on lease liabilities | | 884,518 | | 393 | | 884,911 |
| **Lease liabilities as at March 31, 2024** | **$** | **11,941,066** | $ | **—** | $ | **11,941,066** |

| | | |
|---|---|---|
| **Lease liabilities as at March 31, 2023 (unaudited)** | **$** | **8,582,595** |
| Current portion | $ | 1,983,408 |
| Non-current portion | $ | 6,599,187 |
| **Lease liabilities as at March 31, 2024** | **$** | **11,941,066** |
| Current portion | $ | 1,872,000 |
| Non-current portion | $ | 10,069,066 |

The following table presents the maturity analysis of contractual cashflows related to the lease liabilities of the Company as of March 31, 2024:

| | | |
|---|---|---|
| Less than one year | $ | 1,872,000 |
| One to five years | | 7,488,000 |
| More than five years | | 8,112,000 |
| **Total lease liabilities as at March 31, 2024** | **$** | **17,472,000** |

## 20. Other liabilities

As at March 31, 2024, other liabilities consist of amount due to the parent company of $1,606,521 that has a maturity of 24 months and an amount of $531,019 of government remittance that is due to be paid in the year ending March 31, 2026. The amount due to the parent company was partially offset against a corresponding receivable from the parent company of $393,251.

The amount due to the parent company relates to services provided by the parent company (also see note 27), and was recorded using an effective interest rate of 10.0%. During the year ended March 31, 2024, an amount of $433,860 was recorded against deficit representing the difference between the present value of the liability at the effective rate and the contractual amounts due. For the year ended March 31, 2024, effective interest expense of $74,887 was recognised as accretion expense, in the statement of loss and comprehensive loss (2023 – nil).

(In Canadian dollars, unless otherwise stated)

## 21. Share capital

Authorized:

Unlimited number of Class “A” shares, voting and participating, with one vote per share, without par value

Issued and outstanding:

| | Number of shares | Carrying amount |
|---|---|---|
| As at March 31, 2024 | | |
| Class “A” shares | 878,692 | $ 5,551,001 |

On April 1, 2023, Glutenberg, Oshlag and Microbrasserie Vox Populi Inc. merged to create Triani. The share capital of Glutenberg, Oshlag and Microbrasserie Vox Populi was cancelled. On April 1, 2023, Triani issued 878,692 Class “A” shares at an amount of $5,551,001, which represented the previous share capital amounts of the merged entities. No other movement in share capital occurred during the year ended March 31, 2024.

## 22. Supplemental cash flow information

| | 2024 | 2023 (unaudited) |
|---|---|---|
| Trade and other receivables | $ 2,609,052 | $ 6,743,738 |
| Inventory | 3,618,851 | (2,114,039) |
| Other current assets | 96,434 | 371,494 |
| Other non-current assets | (127,560) | (9,639) |
| Accounts payable and accrued liabilities | 148,713 | (3,231,753) |
| Other liabilities | 2,062,653 | — |
| | $ 8,408,143 | $ 1,759,801 |

## 23. Contingencies

The Company is a defendant in a number of lawsuits, claims, and imminent litigations. Litigations are monitored regularly, case by case, by the legal department of the Company with the assistance of external legal advisors for major and complex litigation. A provision is recognized as soon as it becomes likely that a current obligation resulting from a past event will require a settlement whose amount cannot be reliably estimated.

On February 23, 2024, certain consumers filed a class action in the Superior court of Quebec against several Canadian manufacturers of beverages, including Triani for sale of products that contain the wordings ‘’alcohol-free’’ or ‘’non-alcoholic’’. Total amount of the class action is $117,034. The ultimate timing or outcome cannot be predicted, or possible losses or a range of possible losses cannot be reasonably estimated and therefore no provision has been recorded as of March 31, 2024 and 2023.

Between December 2023 and March 2024, certain customers have filed legal suits against the Company for an amount of $1.6 million for its association with another related company which filed for bankruptcy. Management believes that the ultimate timing or outcome cannot be predicted, or possible losses or a range of possible losses cannot be reasonably estimated. No provision has been recorded as of March 31, 2024 and 2023.

2858 is a defendant relating to a legal suit filed by minority shareholders, as of January 17, 2023. The legal suit is for an amount of $1.0 million relating to certain disputed amounts payable to previous shareholders on the acquisition of Groupe Glutenberg Inc. In response, the Company is countersuing those shareholders for approximately a similar amount. 2858 does not expect any outflow from this litigation, consequently no provision has been recorded in the financial statements as at March 31, 2024 and 2023. Actual or potential liability resulting from this litigation is also specifically excluded in the assumption of liabilities from 2858, as described in note 2.

In January 2024, Revenu Québec issued a Notice of Assessment to 2858 concerning unpaid taxes on alcoholic beverages for $24.4 million, for which the Company recognized a provision of $3.7 million based on a revised assessment from the tax authority. Such provision is included under administrative expenses in the statement of loss and comprehensive loss for the year ended March 31, 2023 in the books of 2858. This liability is also specifically excluded in the assumption of liabilities from 2858, as described in note 2.

Additionally, 9372-2858 Québec Inc. is a defendant in certain other lawsuits and claims; however, no provisions were recognized for these due to the significant uncertainty regarding the outcomes and the inability to reliably estimate the obligations.

## 24. Use of estimates and judgments

The preparation of these financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions differing from actual outcomes.

### SIGNIFICANT ESTIMATES

The areas involving significant estimates are:

- Provision for expected credit losses— note 25

  The Company uses a single loss-rate approach to measure expected credit losses of accounts receivable. Under this approach, the Company determines an average historical loss rate by comparing the total balance of accounts receivable at various past dates against the amount collected and not collected. This rate is then adjusted based on management judgement to account for current economic conditions, counterparty's present financial condition and the term to maturity of the specified receivable balance. Actual credit loss may significantly differ from this estimate of provision.

- Estimation of net realizable value on inventory — note 11

  Merchandise inventories are carried at the lower of cost and net realizable value. The estimation of net realizable value is based on the most reliable evidence available of the amount the merchandise inventories are expected to realize. If carrying value exceeds net realizable amount, a write-down is recognized.

- Estimation of the incremental borrowing rates in lease liabilities — notes 19 and 25

  The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. In determining the incremental borrowing rates, management considers the Company's creditworthiness, the term of the leased asset and Canadian corporate bond yields for companies of a similar credit rating as the Company (note 25).

- Estimation of the provision for litigations and contingencies — note 2

  Estimates for the provision for litigations and contingencies are continually evaluated. The recognized provision reflects the Company's best estimate of the most likely outcome.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected by these revisions.

**CRITICAL JUDGMENTS**

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

- *Going concern*

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See note 2 for more information.

- *Revenue*

  The Company follows the guidance provided in IFRS 15, Appendix B, Principal versus Agent Considerations for determining whether revenue from arrangement with a related party should be recognized at the gross amount of consideration paid by the customer, or the net amount of consideration retained by the Company. This determination is a matter of judgment that depends on the facts and circumstances of the arrangement.

- *Impairment of non-current assets*

  For the purpose of impairment testing of property and equipment, intangible assets, management must use its judgment to identify the smallest group of assets that generates cash inflows that are largely independent of those from other assets ("cash generating unit" or "CGU").

  The amounts used for impairment calculations are based on estimates of future cash flows of the Company, including estimates of future revenues, operating costs, discount rates and market prices. By their nature, these estimates and assumptions are subject to measurement uncertainty and, consequently, actual results could differ from estimates used.

- *Lease term of contracts with renewal options*

  The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Company reassesses the lease term for whether significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) has occurred.

- *Combination under common control and business acquisition*

  Management uses its judgment in determining whether a transaction is a business combination or a purchase of assets in accordance with the criteria established in IFRS 3 Business combinations. The acquisition of an asset or a group of assets that constitute a business is accounted for as a business combination and may give rise to goodwill, whereas an asset purchase does not, thereby impacting subsequent amortization expense and/or impairment testing results.

(In Canadian dollars, unless otherwise stated)

# 25. Financial instruments

### FAIR VALUES

The Company has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and other liabilities is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such information on their fair values is not presented below. The fair value of the credit facility bearing interest at variable rates approximates its carrying value, as it bears interest at prime or banker's acceptance rates plus a credit spread which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of the long-term debts and lease liabilities debts approximates their carrying value as its interest rate approximates current rates that could be obtained for debts with similar terms and credit risk.
The tables below summarize the carrying of financial assets and liabilities, as at March 31, 2024 and April 1, 2023.

| | Carrying value | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 (unaudited) |
| **Financial assets measured at amortized cost** | | |
| Cash and cash equivalents | $ — | $ 700,442 |
| Trade and other receivables | 3,274,688 | 9,071,921 |
| **Financial liabilities measured at amortized cost** | | |
| Credit facility | $ 14,054,470 | $ 11,891,799 |
| Accounts payable and accrued liabilities | 11,083,775 | 11,004,613 |
| Note payable | — | 3,027,534 |
| Long-term debt | 18,376,336 | 18,886,368 |
| Lease liabilities | 11,941,066 | 8,582,595 |
| Other liabilities | 2,137,540 | — |

### CREDIT RISK

Credit risk is the risk of an unexpected financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations, and it arises primarily from the Company's trade and other receivables.

The Company's credit risk is principally attributable to its trade receivables. The amounts presented in the statements of financial position are net of an allowance for expected credit risk, estimated by the Company's management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. The Company's exposure to credit risk is mainly influenced by the characteristics of each customer. Generally, the Company does not require collateral or other security from customers for trade receivables; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit reviews of its customers.

As at March 31, 2024, there were 2 counterparty whose accounts receivable individually accounted for more than 10% of the total accounts receivable balance.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Bad debts are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

The aging of trade receivable balances and the allowance for doubtful accounts as at March 31, 2024 and March 31, 2023 were as follows:

(In Canadian dollars, unless otherwise stated)

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| Current | $ 929,627 | $ 3,192,184 |
| Past due 0-30 days | 992,018 | 1,143,273 |
| Past due 31-60 days | 642,551 | 424,317 |
| Past due more than 60 days | 755,169 | 1,993,278 |
| Total trade receivables | 3,319,365 | 6,753,052 |
| Less : allowance for expected credit losses | (50,000) | — |
| | $ 3,269,365 | $ 6,753,052 |

The movement in the allowance for expected credit losses in respect of trade receivables was as follows:

| | 2024 | 2023 (unaudited) |
|---|---|---|
| Balance, beginning of year | $ — | $ — |
| allowance for expected credit losses | 50,000 | — |
| Balance, end of year | $ 50,000 | $ — |

The Company also has credit risk relating to cash and cash equivalents and other receivables. The Company manages its risk by transacting only with sound financial institutions.

The carrying amounts of financial assets in the statements of financial position represent the Company's maximum credit exposure.

**LIQUIDITY RISK**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. The Board of Directors also reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

The following are the contractual maturities of financial liabilities including estimated interest payments as at March 31, 2024:

| | Total carrying amount | Contractual cash flows | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Credit facility | $ 14,054,470 | $ 14,054,470 | $ 14,054,470 | $ — | $ — |
| Accounts payables and accrued liabilities | 11,083,775 | 11,083,775 | 11,083,775 | — | — |
| Long-term debt | 18,376,336 | 18,428,322 | 1,943,705 | 12,888,785 | 3,595,832 |
| Lease liabilities | 17,472,000 | 17,472,000 | 1,872,000 | 7,488,000 | 8,112,000 |
| Other liabilities | 2,137,540 | 2,137,540 | — | 2,137,540 | — |

**MARKET RISK**

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

(In Canadian dollars, unless otherwise stated)

### CURRENCY RISK

The Company is exposed to currency risk on sales and expenses that are denominated in currencies other than the functional currency of the Company's subsidiaries, primarily the US dollar ("USD"). Also, additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of the Company's subsidiaries at the rate of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the statements of comprehensive income (loss).

The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows, by transacting with third parties in the above currencies to the maximum extent possible and practical, given that this will act as natural economic hedges for each of these currencies.

The Company's exposure to currency risk on its financial statements was as follows:

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| | USD | USD |
| Cash and cash equivalents | 118,187 | 499,966 |
| Trade receivables | 236,558 | 745,547 |
| Accounts payable and accrued liabilities | (286,687) | (268,205) |
| Net balance exposure | 68,058 | 977,308 |
| Equivalent in Canadian dollars | 92,217 | 1,322,653 |

The following exchange rates are those applicable to the following periods and dates:

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| USD per CAD | 0.74 | 0.74 |

Based on the Company's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5% strengthening of the US dollar would not have significative impacts on net income (loss).

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds the majority of its cash and cash equivalents balance in accounts bearing interest at rates less than 1.25%. The Company is, therefore, not materially exposed to future cash flow fluctuations coming from changes in market interest rates for its cash and cash equivalents. Cash equivalents consist of term deposits with original maturities of less than three months and are, therefore, also exposed to interest rate risk on fair value. However, fair value risk is not significant, considering the relatively short term to maturity of these instruments.

The credit facility and the long-term debt are variable interest rate instrument that are due in more than one year. This instrument is exposed to changes in future interest rates that could result in future cash flow fluctuations. As of March 31, 2024 a fluctuation of 1% in interest rates would have resulted in an increase or a decrease of $324,308 in interest expenses.

(In Canadian dollars, unless otherwise stated)

## 26. Capital management

The Company's objectives when managing capital are as follows:

Pursue its growth strategy through acquisitions and organic growth by maintaining financial flexibility; and

Provide the Company's shareholders with an appropriate return on their investment.

For capital management, the Company has defined its capital as the combination of net debt and total equity.

Total managed capital is as follows:

| | March 31, 2024 | March 31, 2023 (unaudited) |
|---|---|---|
| Credit facility | $ 14,054,470 | $ 11,891,799 |
| Note payable to parent company | — | 3,027,534 |
| Long-term debt | 18,376,336 | 18,886,368 |
| Other liabilities | 2,137,540 | — |
| Less: Cash and cash equivalents | — | (700,442) |
| Net debt | 34,568,346 | 33,105,259 |
| Total equity | (21,355,455) | (8,885,624) |
| | $ (13,212,891) | $ (24,219,635) |

The Company's financing strategy is to maintain a flexible structure, to respond adequately to the changes in economic conditions and to allow growth through business acquisitions and organic growth.

In order to maintain or adjust the capital structure, the Company may issue or repay debt, issue shares or undertake any other activities as deemed appropriate under specific circumstances, on a quarterly basis.

## 27. Transactions with key management personnel and related parties

### KEY MANAGEMENT PERSONNEL

The key management personnel of the Company are the Chief Executive Officer, Chief Financial Officer and other key employees of the Company. The key management personnel are paid by the parent company 0186.

### RELATED PARTIES

Related parties of the Company include Directors and key management personnel, their family members and companies over which they have significant influence or control. The Company has transacted with related parties during the reporting period, mainly with 9296-0186 Quebec inc. which is the ultimate parent company since April 1, 2023. Additionally, it also entered into transactions with Transbroue Inc. and 9372-3039 Quebec Inc. (an entity under common control). These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties having normal trade terms.

During the year ended March 31, 2024, the Company transferred inventory amounting to $ 2,032,350 to Transbroue Inc. for $nil consideration. Transbroue Inc. entered bankruptcy proceedings during the year, and consequently the costs of such inventory are presented under Cost of sales.

During the year ended March 31, 2024, in connection with the Company's sale of products through Transbroue Inc., the Company incurred distribution costs amounting to $1,791,524 (2023 – $1,202,062). These costs are presented under Cost of sales.

During the year ended March 31, 2024, the Company incurred costs related to lease of manufacturing facility and offices amounted to $2,260,628 (2023 – $1,990,411), which comprise of $1,003,633 (2023 – $799,836) of finance expenses and

$1,256,995 (2023 – $1,190,575) of depreciation expenses related to right-of-use of asset on lease to companies controlled by directors of the Company.

During the year ended March 31, 2024, the Company was charged $924,864 (2023 – $nil) for management and other service costs for use of specific assets to companies controlled by directors of the Company. These costs are presented under Selling expenses.

All balances with related parties bear no interest, have no maturity and no collateral attached. The related parties' balances are presented in notes 10 and 16.

## 28. Subsequent events

**Transaction with Prime Drink Group Corp.**

On May May 21, 2024, Prime Drink Group Corp. ("Prime"), the Vendors (collectively, 9296-0186 Québec Inc. ("9296"), and the 9296 Shareholders), and Angelpart Ventures Inc. ("Angelpart") (an affiliated entity) entered into the Share Purchase Agreements. On August 7, 2024, the Share Purchase Agreement was amended and restated. The Amended and Restated Share Purchase Agreement provides for the acquisition of all of the outstanding Triani Shares by Prime for an aggregate purchase price to be paid by Prime to the Vendors and Angelpart of $11,400,000 (the "Purchase Price"). Upon completion of the Acquisition, Prime will become the sole registered owner of all of the outstanding Triani Shares.

Pursuant to the Amended and Restated Share Purchase Agreement, the Purchase Price is payable via the issuance of Prime Shares at a price of $0.125 per Prime Share to be issued and delivered on the Closing Date as follows: a) 75,200,000 Prime Shares to 9296, with a value of $9,400,000; and b) 16,000,000 Prime Shares to Angelpart, with a value of $2,000,000.

In addition, as of the Closing Date, Prime will issue 11,200,000 share purchase warrants with an exercise price of 0.125 per Purchaser Share and will have an expiry period of twelve (12) months from the Closing Date.

In addition to the Purchase Price, Prime shall pay, solely to 9296, additional consideration in an amount up to $23,500,000, payable in Prime Shares (the "Bonus Consideration Shares") pursuant to the following terms: a) $2,500,000, payable in Bonus Consideration Shares at a value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $2,000,000 in EBITDA during the financial year ended March 31, 2025, prorated to take into account the period between the Closing Date and March 31, 2025; b)(i) $2,500,000, payable in Bonus Consideration Shares at a value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $4,000,000 in EBITDA during the financial year ended March 31, 2026, or b)(ii) $12,500,000 payable in Bonus Consideration Shares at a value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $5,000,000 in EBITDA during the financial year ended March 31, 2026; and c)(i) $2,500,000, payable in Bonus Consideration Shares at a value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $4,000,000 in EBITDA during the financial year ended March 31, 2027; c)(ii) $6,500,000, payable in Bonus Consideration Shares at a value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $7,000,000 in EBITDA during the financial year ended March 31, 2027; or c)(iii) $8,500,000, payable in Bonus Consideration Shares at a value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $10,000,000 in EBITDA during the financial year ended March 31, 2027.

Prime shall also make a cash contribution of up to $5,000,000 to the operations of Triani on the Closing Date (the "Cash Contribution"). Such amount shall be used as working capital by Triani in the ordinary course of its business.

*Licensing and Option Agreement*

Pursuant to the Amended and Restated Share Purchase Agreement, the Resulting Issuer and 9296 shall enter into a license and option agreement as of the Closing Date (the "License and Option Agreement"), whereby the Resulting Issuer shall be granted: (i) an exclusive license in favour of the Resulting Issuer (the "Licence") for the use of any intellectual property, including but not limited to the brands, currently used by the Vendors as part of its business which will not be owned by

Triani on the Closing Date (the "IP"); (ii) a right of first refusal to acquire the IP in the event of the disposition of such IP by the owner(s) thereof for the duration of the License; (iii) an exclusive option to acquire the IP, to be valued by an independent valuation, at a minimum price of $35,000,000 for a period of three (3) years following the Closing Date.

Additionally, the Resulting Issuer and 9372-3039 Québec Inc. (an entity under common control) shall enter into a property option agreement, whereby the Resulting Issuer shall be granted: (i) an exclusive option to acquire the St-Jean Property, for a three (3) year period starting on the third anniversary of the Closing Date and ending on the sixth anniversary of the Closing Date, at a price equal to the higher of $5,000,000 and the fair market value of such property at the time of exercise of the option; and (ii) an exclusive option to acquire the Terrebonne Property, for a three (3) year period starting on the third anniversary of the Closing Date and ending on the sixth anniversary of the Closing Date, at a price equal to the higher of $29,000,000 and the fair market value of such property at the time of exercise of the option (the "Property Option Agreement"). The specific terms of the License and Option Agreement and the Property Option Agreement are to be finalized by the parties as of the Closing Date and remain subject to the terms to be contained therein.

**Convertible debt**

In connection with the Transaction, Triani seek to issue up to $3,000,000 in convertible debentures whereby the principal amount outstanding will upon closing of the Transaction, without any further action of the debenture holder thereof, be exchanged into Resulting Issuer Shares at a price of $0.10 per Resulting Issuer Share (the "Bridge Convertible Debentures"). On June 30, 2024, an amount of $1,482,900 was received by Triani.

In the event that the Transaction does not close, Triani shall pay the outstanding principal amount plus interest owing on the day that is 12 months following the issue date of the Bridge Convertible Debenture (the "Maturity Date"). The Bridge Convertible Debentures will bear interest starting from its respective issuance date at a rate of 12.1% per annum with interest calculated and paid annually, with such interest rate being calculated on the basis of 30 days per month and 360 days per year. Interest shall accrue and be paid in arrears on the Maturity Date, unless the Bridge Convertible Debentures are automatically converted into Resulting Issuer Shares upon closing of the Transaction.

**SCHEDULE C**

**Interim Financial Statements of Prime for the six-month period ended June 30, 2024**

**[*see attached*]**

# Prime Drink Group Corp.
**(formerly Dominion Water Reserves Corp.)**
## Consolidated Condensed Interim Financial Statements
*For the three and six months ended June 30, 2024 and 2023*
***(Unaudited)***

## Table of Contents

*For the three and six months ended June 30, 2024 and 2023*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited consolidated condensed interim financial statements of Prime Drink Group Corp. (the "Company"), formerly Dominion Water Reserves Corp., are the responsibility of management and the Board of Directors.

The unaudited consolidated condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited consolidated condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting processes and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Condensed Interim Statements of Financial Position
*As at*
*(Unaudited – Prepared by Management)*

| | | ***June 30, 2024*** | | *December 31, 2023* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | **$** | **1,767,912** | $ | 2,678,137 |
| Restricted cash (Note 4) | | **5,587,363** | | - |
| Sales taxes receivable | | **40,096** | | 6,531 |
| Other receivables | | **232,192** | | - |
| Prepaid expenses and deposits | | **39,230** | | 13,143 |
| **Total current assets** | | **7,666,793** | | 2,697,811 |
| **Non-current** | | | | |
| Property and equipment *(Note 5)* | | **528,384** | | 528,678 |
| Water rights *(Note 6)* | | **5,657,862** | | 5,657,862 |
| **Total non-current assets** | | **6,186,246** | | 6,186,540 |
| **Total assets** | **$** | **13,853,039** | $ | 8,884,351 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **$** | **89,720** | $ | 109,516 |
| Subscription receipts in escrow (Note 4) | | **5,560,125** | | - |
| **Total liabilities** | **$** | **5,649,845** | $ | 109,516 |
| **Shareholders' equity** | | | | |
| Share capital *(Note 8)* | **$** | **15,411,268** | $ | 15,411,268 |
| Reserves | | **3,513,292** | | 3,381,242 |
| Deficit | | **(10,721,366)** | | (10,017,675) |
| **Total shareholders' equity** | **$** | **8,203,194** | $ | 8,774,835 |
| **Total liabilities and shareholders' equity** | **$** | **13,853,039** | $ | 8,884,351 |

Events after the reporting period *(Note 15)*

On behalf of the Board of Directors,

*"Alexandre Côté"*
(signed Alexandre Côté)
CEO and Director

*"Michael Pesner"*
(signed Michael Pesner)
Director

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

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Condensed Interim Statements of Loss and Comprehensive Loss
*For the three and six months ended June 30, 2024 and 2023*
*(Unaudited – Prepared by Management)*

| | | ***Three months ended June 30, 2024*** | *Three months ended June 30, 2023* | ***Six months ended June 30, 2024*** | *Six months ended June 30, 2023* |
|---|---|---|---|---|---|
| **Operating expenses** | | | | | |
| Professional fees | **$** | **209,724** | 34,241 | **365,701** | 51,645 |
| Consulting fees *(Note 11)* | | **87,033** | 78,500 | **143,408** | 129,500 |
| Share-based payments (*Note 8)* | | **10,916** | 83,557 | **132,050** | 83,557 |
| Directors' and audit committee members' fees | | **74,551** | - | **74,551** | - |
| Licences, dues and subscriptions | | **27,370** | 6,682 | **41,295** | 11,380 |
| Insurance | | **10,323** | 5,104 | **19,790** | 5,955 |
| Property expenses | | **1,614** | - | **5,537** | 5,038 |
| Office | | **3,413** | 2,255 | **5,241** | 3,507 |
| Travel | | **2,443** | 5,584 | **4,980** | 7,248 |
| Meals and entertainment | | **1,224** | 810 | **3,203** | 1,682 |
| Bank charges | | **165** | 10 | **453** | 4,000 |
| Business taxes | | **-** | 291 | **299** | 1,571 |
| Depreciation of property and equipment | | **147** | 159 | **294** | 318 |
| Depreciation of right-of-use asset | | **-** | - | **-** | 3,736 |
| **Total operating expenses** | **$** | **428,923** | 217,193 | **796,802** | 309,137 |
| **Operating loss** | **$** | **(428,923)** | (217,193) | **(796,802)** | (309,137) |
| **Other income** | | | | | |
| Interest revenue | | **(59,027)** | - | **(93,111)** | - |
| **Net loss and comprehensive loss for the period** | **$** | **(369,896)** | (217,193) | **(703,691)** | (309,137) |
| **Loss per share** | | | | | |
| **Basic and diluted loss per share** | | | | | |
| Net loss per common share, basic and diluted *(Note 10)* | **$** | **(0.0026)** | (0.0015) | **(0.0049)** | (0.0022) |
| Weighted average number of common shares outstanding | | **144,177,462** | 144,128,961 | **144,177,462** | 141,936,639 |

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

| | | *Share capital* | | *Reserves* | | *Deficit* | | *Total equity* |
|---|---|---|---|---|---|---|---|---|
| **Balance January 1, 2023** | **$** | **13,914,371** | **$** | **3,615,906** | **$** | **(9,012,884)** | **$** | **8,517,393** |
| Net loss for the period | | **-** | | **-** | | **(309,137)** | | **(309,137)** |
| Issuance of shares – exercise of warrants | | **674,557** | | **(255,757)** | | **-** | | **418,800** |
| Issuance of shares – exercise of stock options | | **835,006** | | **(332,202)** | | **-** | | **502,804** |
| Share-based payments | | **-** | | **83,557** | | **-** | | **83,557** |
| **Balance June 30, 2023** | **$** | **15,423,934** | **$** | **3,111,504** | **$** | **(9,322,021)** | **$** | **9,213,417** |
| | | | | | | | | |
| **Balance January 1, 2024** | **$** | **15,411,268** | **$** | **3,381,242** | **$** | **(10,017,675)** | **$** | **8,774,835** |
| Net loss for the period | | **-** | | **-** | | **(703,691)** | | **(703,691)** |
| Share-based payments | | **-** | | **132,050** | | **-** | | **132,050** |
| **Balance June 30, 2024** | **$** | **15,411,268** | **$** | **3,513,292** | **$** | **(10,721,366)** | **$** | **8,203,194** |

# Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
## Consolidated Condensed Interim Statements of Cash Flows
*For the six months ended June 30, 2024 and 2023*
*(Unaudited – Prepared by Management)*

| | | ***Six months ended June 30, 2024*** | | *Six months ended June 30, 2023* |
|---|---|---|---|---|
| **Cash provided by (used for) the following activities** | | | | |
| **Operating activities** | | | | |
| Net loss | **$** | **(703,691)** | $ | (309,137) |
| Share-based payments | | **132,050** | | 83,557 |
| Interest earned on subscription receipts in escrow | | **(27,238)** | | - |
| Depreciation of property and equipment | | **294** | | 318 |
| Depreciation of right-of-use asset | | **-** | | 3,736 |
| | | **(598,585)** | | (221,526) |
| **Changes in working capital account** | | | | |
| Sales tax receivables | **$** | **(33,565)** | $ | 8,335 |
| Other receivables | | **(232,192)** | | - |
| Prepaid expenses and deposits | | **(26,087)** | | (10,075) |
| Accounts payables and accrued liabilities | | **(19,796)** | | (104,267) |
| | | **(910,225)** | | (327,533) |
| **Financing activities** | | | | |
| Proceeds on exercise of warrants | | **-** | | 418,800 |
| Proceeds on exercise of stock options | | **-** | | 502,804 |
| Repayment of lease liability | | **-** | | (2,780) |
| Proceeds from subscription receipts | | **5,560,125** | | - |
| Subscription receipts in escrow | | **(5,560,125)** | | - |
| | | **-** | | 918,824 |
| **Increase in cash resources** | **$** | **(910,225)** | | 591,291 |
| **Cash resources, beginning of the period** | | **2,678,137** | | 2,420,857 |
| **Cash resources, end of the period** | **$** | **1,767,912** | $ | 3,012,148 |

## 1. General information

Prime Drink Group Corp. (the "Company" or "Prime"), formerly Dominion Water Reserves Corp. until its name changed on November 23, 2022, was incorporated under the Canada Business Corporations Act on October 26, 2015. The head office, principal address and records office of the Company are located at 609-1188 Avenue Union, Montreal, Quebec, H3B 05E.

Prime Drink Group Corp. is a company that acquires spring water permits to develop operations in the spring water market in Quebec and elsewhere. Prime Drink Group Corp. is the parent company of Dominion Water Reserves Corp., 6305768 Canada Inc., Centre Piscicole Duhamel Inc.,11973002 Canada Inc., Source Sainte-Cécile Inc., 3932095 Canada Inc. and Société Alto 2000 Inc ("the subsidiaries"). These subsidiaries are fully owned by the Company.

The Company is listed on the Canadian Securities Exchange (the "CSE"), since August 10, 2020, and is trading under the symbol "PRME".

On May 14, 2024, the Company entered into a share purchase agreement, which was amended and restated on May 21, 2024. On August 7, 2024, the Company has entered into a second amended and restated share purchase agreement (the "Share Purchase Agreement") with 9296-0186 Québec Inc. ("9296"), the shareholders of 9296 (together with 9296, the "Vendors"), and Angelpart Ventures Inc. whereby the Company will acquire all of the issued and outstanding common shares of Triani Canada Inc. ("Triani") by way of business combination (the "Transaction").

Pursuant to the amended and restated Share Purchase Agreement, Prime will acquire the Triani Shares in exchange for (i) 91,200,000 common shares in the capital of Prime ("Prime Shares") having an aggregate value of $11,400,000, with each Prime Share to be issued at a deemed price $0.125 and (ii) 11,200,000 common share purchase warrants of Prime with an exercise price of $0.125 per share and which expire twelve (12) months from the closing date of the Transaction. In addition to the Consideration, subject to Triani reaching certain earnings before interest, taxes, depreciation and amortization targets, Prime shall pay, solely to 9296, an additional consideration in an amount of up to $23,500,000 payable in bonus consideration shares of Prime (the "Bonus Consideration") at a deemed price of $0.125 per share for any Bonus Consideration payable in the financial years ended March 31, 2025 and 2026, and $0.16 per share for any Bonus Consideration payable in the financial year ended March 31, 2027.

Pursuant to the Share Purchase Agreement, the Company and 9296 shall enter into a License and Option Agreement as of the Closing Date (the "License and Option Agreement"), whereby the Company shall be granted: (i) an exclusive license in favour of the Company (the "Licence") for the use of any intellectual property, including but not limited to the brands, currently used by the Vendor as part of its business which will not be owned by Triani on the Closing Date (the "IP"); (ii) a right of first refusal to acquire the IP in the event of the disposition of such IP by the owner(s) thereof for the duration of the License; (iii) an exclusive option to acquire the IP, to be valued by an independent valuation, at a minimum price of $35,000,000 for a period of 3 years following the Closing Date. Additionally, the Company and 9372-3039 Québec inc. shall enter into a property option agreement, whereby the Company shall be granted: (i) an exclusive option to acquire the St-Jean sur Richelieu property, for a 3-year period starting on the 3rd anniversary of the Closing Date and ending on the 6th anniversary of the Closing Date, at a price equal to the higher of $5,000,000 and the fair market value of such property at the time of exercise of the option; and (ii) an exclusive option to acquire the Terrebonne property, for a 3-year period starting on the 3rd anniversary of the Closing Date and ending on the 6th anniversary of the Closing Date, at a price equal to the higher of $29,000,000 and the fair market value of such property at the time of exercise of the option (the "Property Option Agreement"). The specific terms of the License and Option Agreement and the Property Option Agreement shall be finalized by the parties thereto and remain subject to the terms to be contained therein.

Additionally, the Company shall make a cash contribution in the amount of $5,000,000 to the operations of Triani on the Closing Date. Such amount shall be used as working capital by the Company in the ordinary course of business.

## 1. General information (continued)

Prior to Closing, the Company intends to issue and sell a minimum of 40,000,000 Subscription Receipts and a maximum of 60,000,000 Subscription Receipts at a price of $0.125 per Subscription Receipt for gross proceeds of a minimum of $5,000,000 and a maximum of $7,500,000. Each Subscription Receipt shall be converted, without payment of any additional consideration and without any further action by the holder thereof, into one common share in the capital of Prime ("Prime Shares") on a post-Consolidation basis, subject to adjustment, upon satisfaction or waiver of certain escrow release conditions. On May 22, 2024, the Company closed a first tranche of 42,269,000 Subscription Receipts for gross proceeds of $5,283,625. Cash finder's fees of $248,692 will be paid from the escrow proceeds of the Offering. On July 31, 2024, the Company closed a second tranche of 9,560,000 Subscription Receipts for gross proceeds of $1,195,000. Cash finder's fees of $14,040 will be paid from the escrow proceeds of the Offering.

The Transaction will constitute a "fundamental change" for the Company pursuant to the rules and policies of the CSE. In connection with the closing of the Transaction, the Company will change its name to "Prime Group Corp." and will continue the business of Triani.

## 2. Statement of compliance and upcoming changes to accounting standards

These consolidated condensed interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated condensed interim financial statements, including IAS 34, Interim Financial Reporting. These consolidated condensed interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Basis of preparation, as described in the Company's annual audited financial statements for the year ended December 31, 2023, except for the new accounting standards adopted during the year. The consolidated condensed interim financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2023.

These interim financial statements were approved by the Company's Board of Directors on August 29, 2024.

### Accounting policies adopted during the period

*Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by the likelihood that an entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify the definition of "settlement" of a liability. In October 2022, revised amendments in respect of non-current liabilities with covenants were issued. Both amendments are effective on January 1, 2024 and should be applied retrospectively. Earlier application is permitted. The Company's consolidated financials are not materially affected by the implementation of these amendments.

*Restricted cash*

The Company's restricted cash is the cash held in escrow due to the Company in conjunction with a subscription receipt financing. The restricted cash can only be released upon specific conditions related to a subscription receipt financing. Refer to Note 4.

## 3. Judgments, estimates and assumptions

The preparation of these consolidated condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated condensed interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the consolidated condensed interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in Note 4 to the Company's annual audited financial statements for the year ended December 31, 2023.

## 4. Restricted cash

During the six-month period ended June 30, 2024, the Company received $5,560,125 (2023 - $ nil) from investors, in connection with a subscription receipt financing, to purchase 44,481,000 units of the Company at $0.125 per unit. The subscription receipts are held in escrow until the completion of a proposed business combination pursuant to the terms and conditions of a share purchase agreement signed by the Company (refer to Note 1), the receipt of all shareholder and regulatory approvals, and the conditional approval obtained by the CSE. If the subscription receipt conversion date does not occur on or before 120 days from the closing date, the subscription receipts will immediately be cancelled and the escrowed proceeds will be returned to each holders. As at June 30, 2024, an amount of $27,238 was also earned as interest on the escrow proceeds.

## 5. Property and equipment

| | *Land* | *Building* | *Furniture and fixtures* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2023 | **$ 516,500** | **$ 13,000** | **$ 1,689** | **$ 531,189** |
| Additions | **-** | **-** | **-** | **-** |
| Balance at December 31, 2023 | **516,500** | **13,000** | **1,689** | **531,189** |
| Additions | **-** | **-** | **-** | **-** |
| Balance at June 30, 2024 | **516,500** | **13,000** | **1,689** | **531,189** |
| **Depreciation** | | | | |
| Balance at January 1, 2023 | **-** | **966** | **909** | **1,875** |
| Depreciation charge for the period | **-** | **480** | **156** | **636** |
| Balance at December 31, 2023 | **-** | **1,446** | **1,065** | **2,511** |
| Depreciation charge for the period | **-** | **232** | **62** | **294** |
| Balance at June 30, 2024 | **-** | **1,678** | **1,127** | **2,805** |
| **Net book value** | | | | |
| At December 31, 2023 | **$ 516,500** | **$ 11,554** | **$ 624** | **$ 528,678** |
| At June 30, 2024 | **$ 516,500** | **$ 11,322** | **$ 562** | **$ 528,384** |

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

| | *Method* | *Rate* |
|---|---|---|
| Building | declining balance | 4% |
| Furniture and fixtures | declining balance | 20% |

## 6. Water rights

| | ***Water rights*** |
|---|---|
| **Cost** | **$** |
| Balance at January 1, 2023 | **5,657,862** |
| Additions | **-** |
| Balance at December 31, 2023 | **5,657,862** |
| Additions | **-** |
| Balance at June 30, 2024 | **5,657,862** |

| | ***Water rights*** | |
|---|---|---|
| | **June 30, 2024** | **December 31, 2023** |
| **Water source** | **$** | **$** |
| Duhamel | 684,250 | 684,250 |
| Notre-Dame-du-Laus | 3,833,150 | 3,833,150 |
| St-Joseph de Coloraine | 392,629 | 392,629 |
| Sainte-Cécile-de-Witton | 262,560 | 262,560 |
| Saint-Élie-de-Caxton | 246,025 | 246,025 |
| Source Alto 2000 Inc. | 239,248 | 239,248 |
| | **5,657,862** | **5,657,862** |

There were no impairment losses recognized on water rights during the six-month periods ended June 30, 2024 and 2023.

## 7. Right-of-Use Assets

The Company recognized a new right-of-use asset for its office premises with a corresponding lease liability (Note 9), following the signature of a new lease on August 1, 2021, which are initially measured at the present value of the future lease payments.

**Right-of-use**

| | $ |
|---|---|
| Balance at December 31, 2022 | 3,736 |
| Depreciation | 3,736 |
| Balance at December 31, 2023 | - |
| Depreciation | - |
| **Balance at June 30, 2024** | **-** |

## 8. Shareholders' equity

### Share capital

(a) *Authorized*
Unlimited number of common Class 'A' shares, voting, participating, without nominal or par value.

(b) *Capital stock*
The change in state share capital was as follows:

| | | Number of common shares | Stated share capital | Share issuance costs | Total |
|---|---|---|---|---|---|
| **Balance, January 1, 2023** | | 137,657,396 | $ 14,301,758 | $ (387,387) | $ 13,914,371 |
| Issuance of shares – warrants exercised | ii | 2,792,000 | 674,557 | - | 674,557 |
| Issuance of shares – options exercised | i, iii, iv, v | 3,728,066 | 822,340 | - | 822,340 |
| **Balance, December 31, 2023** | | 144,177,462 | $ 15,798,655 | $ (387,387) | $ 15,411,268 |
| **Balance, June 30, 2024** | | 144,177,462 | $ 15,798,655 | $ (387,387) | $ 15,411,268 |

i. On February 24, 2023, 386,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $42,460.

ii. On February 26, 2023, 2,792,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $418,800.

iii. On March 3, 2023, 2,649,066 common shares were issued by the Company upon options exercised at an exercise price of $0.145, for a gross amount of $384,114.

iv. On April 6, 2023, 500,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $55,000.

v. On April 11, 2023, 193,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $21,230.

(c) *Stock Options and Warrants*

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares in any given 12-month period. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed. The following summarizes the stock option activities:

The following summarizes the stock option activities:

| | Number of stock options | Weighted average exercise price per share |
|---|---|---|
| **Balance, January 1, 2023** | 9,171,066 | $0.14 |
| Exercised (i, ii, iv, v) | (3,728,066) | $0.14 |
| Granted (iii, vi) | 4,000,000 | $0.16 |
| Expired | (3,943,000) | $0.14 |
| **Balance, December 31, 2023** | 5,500,000 | $0.16 |
| **Balance, June 30, 2024** | 5,500,000 | $0.16 |

**8. Shareholders' equity** (Continued from previous page)

The following summarizes the stock option activities:

| Number of options | Exercise Price | Expiry date |
|---|---|---|
| 1,000,000 | $ 0.19 | August 14, 2025 |
| 500,000 | $ 0.10 | October 27, 2025 |
| 3,500,000 | $0.165 | April 5, 2026 |
| 500,000 | $0.13 | April 5, 2026 |
| 5,500,000 | | |
| *5,000,000* | *Exercisable as at June 30, 2024* | |

During the six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023, the Company's activities are as follows:

**2023**

i. On February 24, 2023, 386,000 options were exercised at an exercise price of $0.11, for a gross amount of $42,460.

ii. On March 3, 2023, 2,649,066 options were exercised at an exercise price of $0.145, for a gross amount of $384,115.

iii. On April 5, 2023, 3,500,000 stock options were granted to certain officers, employees, and consultants. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.165 per common share for a period of 3 years. The fair value of the options of $423,468 as estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.52% |
| Forfeiture rate | 0% |
| Expected life | 3 years |
| Expected volatility | 125.0% |

The total expense recognized in the statement of loss and comprehensive loss for the six-month period ended June 30, 2024 amounts to $110,218.

iv. On April 6, 2023, 500,000 options were exercised at an exercise price of $0.11, for a gross amount of $55,000.

v. On April 11, 2023, 193,000 options were exercised at an exercise price of $0.11, for a gross amount of $21,230.

vi. On August 15, 2023, 500,000 stock options were granted to a director. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.13 per common share for a period of 2.7 years. The fair value of the options of $43,664 as estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Expected dividend yield | Nil |
| Risk-free interest rate | 4.81% |
| Forfeiture rate | 0% |
| Expected life | 2.7 years |
| Expected volatility | 125.0% |

The total expense recognized in the statement of loss and comprehensive loss for the six-month period ended June 30, 2024 amounts to $21,832.

**8. Shareholders' equity** (Continued from previous page)

**Warrants**

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The fair value of warrants issued and outstanding is reflected in retained earnings. Amounts for warrants that are subsequently exercised are transferred from retained earnings to capital stock.

The following table summarizes the warrant activities for the six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023:

| | Number of warrants | Weighted average exercise price ($) |
|---|---|---|
| **Balance, January 1, 2023** | 22,353,750 | $0.14 |
| Exercised (i) | (2,792,000) | 0.15 |
| Expired | (15,393,000) | 0.15 |
| **Balance, December 31, 2023** | 4,168,750 | 0.08 |
| **Balance, June 30, 2024** | 4,168,750 | 0.08 |

The Company had the following warrants outstanding as at June 30, 2024:

| Number of Warrants | Exercise Price | Expiry date |
|---|---|---|
| 418,750 | $ 0.08 | July 5, 2024 |
| 3,750,000 | $ 0.08 | September 19, 2024 |
| 4,168,750 | | |
| *4,168,750* | *Exercisable as at June 30, 2024* | |

During the six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023, the Company's activities are as follows:

**2023**

i. On February 26, 2023, 2,792,000 warrants were exercised at an exercise price of $0.15, for a gross amount of $418,800.

## 9. Lease liability

The present value of the future lease payments was calculated from November 30, 2020, the signing date of new agreement, for a term of more than twelve months. This lease liability was derecognized following the signature of a new agreement on August 1, 2021 for a term of more than twelve months. Changes to the Company's lease liabilities for the six-month period ended June 30, 2024 and the twelve-month period ended December 31, 2023 are as follows:

| | $ |
|---|---|
| Balance at December 31, 2022 | **2,780** |
| Lease payment on amended lease | **2,780** |
| Interest payment on amended lease | **-** |
| Balance at December 31, 2023 | **-** |
| Balance at June 30, 2024 | **-** |

## 10. Loss per share

*(a) Basic loss per share*
Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period.

*(b) Diluted loss per share*
Diluted loss per share is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the six-month period ended June 30, 2024 and 2023 and has accordingly presented basic and diluted loss per share in the consolidated condensed interim statements of loss and comprehensive loss.

## 11. Related party transactions

During the current period, the Company entered into transactions with shareholders and key management other than balances already disclosed in notes above. These transactions are in the normal course of operations. The balances are subject to normal terms of trade.

***Transactions with shareholders and key management***

| | ***Three months ended June 30, 2024*** | *Three months ended June 30, 2023* | ***Six months ended June 30, 2024*** | *Six months ended June 30, 2023* |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Consulting fees paid to a Director (former President and CEO) | **9,000** | 20,000 | **18,000** | 50,000 |
| Consulting fees paid to the CEO | **23,333** | 37,500 | **33,333** | 37,500 |
| Consulting fees paid to the CFO | **25,000** | 21,000 | **46,000** | 42,000 |
| Professional fees paid to a Director | **23,000** | - | **32,000** | - |
| Director's and audit committee members' fees | **70,000** | - | **70,000** | - |
| Share-based compensation to Directors and Officers | **10,916** | 83,557 | **132,050** | 83,557 |

## 12. Commitment

On November 20, 2020, the company entered into a 25-year water sales contract with Acquanor Inc. with an obligation to supply water at a price of $0.005 per litre of water for the first five years, $0.010 from year 6 to 10, $0.015 from year 11 to 15 and $0.02 from year 16 to 25, not exceeding 71 million litres for each year with no significant consequences in the event of breach.

## 13. Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***(a) Fair value of financial instruments***

The carrying values of cash, restricted cash, accounts payable and accrued liabilities, and lease liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. The carrying value of the long-term lease liability is considered to be a reasonable approximation of fair value as it is discounted at an approximate fair value rate.

***(b) Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company attempts to manage the liquidity risk resulting from its accounts payable by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. However, given the current cash position and foreseen cash inflows and outflows in the next 12 months, management believes that sufficient cash is available to fund the Company's operating expenses at least for the next 12 months.

***(c) Credit Risk***

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash with banks and advances to related parties.

There is no provision for expected credit losses given that there are no advances to related parties outstanding as at June 30, 2024.

The Company reduces credit risk by dealing with creditworthy financial institutions.

***(d) Fair Value Hierarchy***

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company's cash are included in Level 1.

## 14. Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements.

## 15. Events after the reporting period

On July 4, 2024, 418,750 common shares were issued upon the exercise of 418,750 warrants at an exercise price of $0.08 per share, for gross proceeds of $33,500.

On July 31, 2024, the Company closed a second tranche of 9,560,000 Subscription Receipts for gross proceeds of $1,195,000. Cash finder's fees of $14,040 will be paid from the escrow proceeds of the Offering.

# Management’s Discussion and Analysis –
For the three- and six-months ended June 30, 2024 and 2023

## SCOPE OF THIS MANAGEMENT’S DISCUSSION AND ANALYSIS AND NOTICE TO INVESTORS

This management’s discussion and analysis of financial position and results of operations (“MD&A”) is prepared as of August 29, 2024, and complements the consolidated condensed interim financial statements of Prime Drink Group Corp., formerly Dominion Water Reserves Corp., ("**Prime**" or the "**Company**"), for the three-month and six-month periods ended June 30, 2024 and 2023 and should be read in conjunction with the accompanying audited annual financial statements and related notes for the years ended on December 31, 2023 and 2022.

All financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are in Canadian dollars unless otherwise indicated. Additional information is provided in the Consolidated Financial Statements.

The consolidated condensed interim financial statements and the MD&A have been reviewed and approved by the Company’s Board of Directors on August 29, 2024.

Unless otherwise indicated, the reporting currency for figures in this document is the Canadian dollar.

### Forward-Looking Statements and Use of Estimates

Any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Verbs such as “believe,” “expect,” “estimate” and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. These forward-looking statements do not provide guarantees as to the future performance of Prime Drink Group Corp. and are subject to risks, both known and unknown, as well as uncertainties that may cause the outlook, profitability and actual results of Prime Drink Group Corp. to differ significantly from the profitability or future results stated or implied by these statements. Detailed information on risks and uncertainties is provided in the “Uncertainties and Principal Risk Factors” section of this MD&A.

In preparing Consolidated Financial Statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, revenues and expenses reported and on the contingent liabilities and contingent assets information provided.

The main accounting judgments and estimates used by management and are described in Note 4 of the December 31, 2023 audited financial statements are as follows:

- Going concern
- Impairment of Water Rights
- Share-Based Compensation
- Warrants
- Recovery of deferred tax assets
- Classification of financial instruments

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

# CORPORATE PROFILE

## PRIME STORY

Prime Drink Group Corp., formerly Dominion Water Reserves Corp. until its name changed on November 23, 2022, was formed in October 2015 under the laws of Canada, by environment conscious entrepreneurs aiming at consolidating the natural spring water market in the Province of Quebec, while preserving and respecting this resource by taking a leadership role in this industry.

The initial primary objective of Prime was to establish contact with well owners and permit developers to secure initial water rights that would serve as a cornerstone to the overall value proposition of Prime.

Over the past years, Prime has developed a unique business model that allows the group to develop and take a leading stand in consolidating the spring water market in Quebec and beyond. The Prime team is working to develop innovative solutions, products and partnerships to promote and create value for this resource today and mainly for the future.

Prime has six wholly-owned subsidiaries: 6305768 Canada Inc., Centre Piscicole Duhamel Inc., 11973002 Canada Inc., Source Sainte-Cécile Inc., 3932095 Canada Inc. and Société Alto 2000 Inc.

## CORE BUSINESS

Prime's core business is the acquisition and management of natural spring water sources in the Province of Quebec. By combining, an acquisition program targeting long-term asset play with a recurring cash flow to reach a critical mass in terms of capacity and geography, and developing, with a focus on prioritizing sustainability and environmental consciousness, groundwater collection, water withdrawal and water pumping for the purpose of selling or distributing spring water, the Company goal is planning to secure a leadership role in Quebec spring water market. Prime's water rights represent access to over 3 billion litres of spring water per year.

## VISION

Prime will acquire more freshwater assets at a critical mass in terms of capacity and geography securing a leadership role in North America's spring water market. By consolidating the spring water market in Quebec, the company eventually seeks to provide solutions to problems arising from the considerable imbalance between supply and demand of fresh water. Through acquisitions in operations, Prime will ensure the profitability of its operations.

The Company is working on the expansion of its activities through a targeted acquisition of a beverage Company, Triani Canada Inc. (the proposed "Triani Acquisition"). Refer to Note 1 of the consolidated condensed interim financial statements.

Prime will prioritize sustainability and environmental consciousness.

## PROPERTIES

Prime water rights comprise six primary water sources: (i) Duhamel; (ii) Notre-Dame-du- Laus; (iii) Coloraine; (iv) Sainte-Cécile-de-Whitton; (v) Saint-Élie-de-Caxton; and (vi) St-Siméon.

The following table contains certain technical information pertaining to each source:

| Water Rights | Volume (in litres/ year) | Production Capacity (litres) (m3*1000*36 5) | Land Acres | Ownership |
|---|---|---|---|---|
| Duhamel | 2,007,500,000 | 5500*1000*365 | 45 | 100% |
| Notre-Dame-du-Laus | 993,530,000 | 2722*1000*365 | 204 | 100% |
| St-Joseph de Coloraine | 71,481,000 | 195*1000*365 | 5 | 100% |
| Sainte-Cécile-de-Whitton | 76,285,000 | 209*1000*365 | 7 | 100% |
| Saint-Élie-de-Caxton | 71,481,000 | 195*1000*365 | 5 | 100% |
| Source St-Siméon | 131,400,000 | 360*1000*365 | 25 | 100% |
| **TOTAL:** | **3,351,677,000** | | **291** | |

*Duhamel*

Duhamel constitutes the largest volume spring in in Province of Quebec with over 2B litres per year of overflow. The Company is pursuing its development pursuant to the authorization from the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs ("MDDELCC") under the Environment Quality Act (CQLR c Q-2), dated December 15, 2006 (renewed January 9, 2017), authorizing Centre Piscicole Duhamel Inc. to withdraw groundwater intended for sale or distribution as bottled water, subject to compliance with the following obligations:

- withdrawing a maximum daily volume of water of 5,500 m$^3$; and
- bottling water in containers of 20 litres or less.

*Notre-Dame-du-Laus*

Notre-Dame-du-Laus is a rare esker (1 of only 2 in Province of Quebec), a glacial formation that provides a unique water quality. The Company is pursuing its development pursuant to the authorization from the MDDELCC under the *Environment Quality Act* (CQLR c Q-2), dated July 25, 2018, authorizing 6305768 Canada Inc. to:

- withdraw groundwater intended for sale or distribution as spring water, for use as such in the manufacture, preservation or treatment of products within the meaning of the Food Products Act (CQLR c P-29);
- withdraw groundwater daily volume of water of 2,722 m$^3$; and
- withdraw groundwater from the withdrawal site PP-01-03 on lot 38 of Range II in the township of Bigelow, Municipality of Notre-Dame-du-Laus, Regional County Municipality of Antoine-Labelle.

*St-Joseph-de-Coloraine*

St-Joseph-de-Coloraine holds a spring in Province of Quebec with over 71 M litres per year of overflow. The Company is pursuing its development pursuant to the authorization from the MDDELCC under the Environment Quality Act (CQLR c Q-2), dated March 5, 2014, authorizing Ivan Bouffard to withdraw groundwater intended for sale or distribution as bottled water, subject to compliance with the following obligations:

- withdrawing a maximum daily volume of water of 195,8 m3; and
- bottling water in containers of 20 litres or less.

The authorization initially granted to Ivan Bouffard was transferred to 11973002 Canada Inc on April 20, 2020.

*Sainte-Cécile*

Authorization was granted from the Ministère de l'Environnement (now the MDDELCC) under the Environment Quality Act (CQLR c Q-2), dated November 29, 2001, authorizing Sainte-Cécile Inc. to establish a well for intake of untreated water prior to its commercial distribution for human consumption and to connect such well to a bottled water plant or plant for the preparation of other beverage products by way of an aqueduct; and the daily maximum to pump is 209 $m^3$ ;

The Sainte-Cécile-de-Witton Spring is located on five acres in the south eastern part of the Province of Quebec. The Saint-Cecille Spring has a permitted volume of 76,285,000 litres per year and the Spring does not currently have any bottling facilities.

*Saint-Élie-de-Caxton*

Authorization was granted of the Ministère du Développement Durable, de l'Environnement et des Parcs dated (now the MDDELCC) under the Groundwater Catchment Regulations (CQLR c Q-2, r 6) (replaced by the Water Withdrawal and Protection Regulation (CQLR c Q-2, r 35.2) in 2014), and the Environment Quality Act (CQLR c Q-2), dated October 7, 2008, authorizing 3932095 Canada Inc. to:

Les Sources St-Élie Inc., subject to an obligation to pump a maximum volume of 195 $m^3$ of water per day from these wells.

*Source St-Siméon*

On April 8, 2021 the Company has acquired a 100% interest in the Saint-Siméon Water Rights, through acquisition of a volume of 131,400,000 litres to withdraw a maximum daily volume of water of 360 $m^3$.

## OVERALL PERFORMANCE

- **Acquisition of sources**

All the sources are strategically located for efficiency and low transportation costs. Our portfolio shows acquisitions at a very low cost per litre. However, additional CapEx will be required to put these assets into production.

- **Management of the Property Portfolio**

The objective for 2024 continues to be to advance and enhance the quality and quantity of the Company's portfolio properties. The Company will require significant capital in order to fund its operating commitments as the Company has no revenues and is reliant upon equity financing to fund all of its requirements. However, given the current cash position and foreseen cash inflows and outflows in the next twelve months, management believes that sufficient cash will be available to fund the Company's operating expenses and pursue development of its business.

- **Corporate Developments**

In February 2020, due diligence was performed on the portfolio of assets of Prime. The Company continues discussions with owners of water rights and wells taking into consideration their geography, volume under license and their potential for generating income.

In April 2020, the Company completed a consolidation of its share capital on the basis of three existing common shares of Prime for one new common share, thereby reducing the number of outstanding shares from 150,293,832 to 50,097,944.

On July 31, 2020, the Company completed an amalgamation with Tucker Acquisitions Inc. ("Tucker"), pursuant to an agreement signed on March 27, 2020. The Company and Tucker carried out a business combination by way of an amalgamation where the companies, both existing under the laws of Canada, amalgamated and formed one corporation under the provisions of the Canada Business Corporations Act and, upon the amalgamation taking effect, Company's shareholders and the Tucker's shareholders have received shares of the corporation continuing from the amalgamation. Immediately following the transaction, 84% of shares were owned by former shareholders of Prime and 16% were owned by the shareholders of Tucker. Under the terms of the Agreement, the shareholders of Prime Shares (the "Prime Shareholders") will receive one (1) Tucker common share (each whole share, a "Tucker Share") for every one (1) Prime Share (the "Exchange Ratio").

On October 16, 2020 the Company completed a non-brokered private placement offering of units of Prime for gross proceeds of $650,000, and (iii) settled an aggregate of $104,455 in trade payables to two arm's length parties through the issuance of common shares of Prime.

On December 14, 2020, the Company acquired 100% of the shares of 11973002 Canada Inc. pursuant to an arm's length acquisition offer dated October 26, 2020. Pursuant to this acquisition the Company agreed to a fair value consideration of $446,429, comprising of cash of $400,000 and the balance paid by the issuance of 714,286 shares at a fair value of $0.065 per share. The fair value of the shares was determined by the stock market price per share at the date of the transaction.

On February 26, 2021 the Company completed a non-brokered private placement offering of units of Prime for gross proceeds of $1,175,000.

On March 1st, 2021, Mr. Michael Pesner has been appointed as a Director of the Corporation.

On April 1, 2021 the Company has exercised its option to acquire a 100% interest in the Sources Sainte-Cécile and Saint-Élie de Caxton Water Rights, through the acquisition of all the issued and outstanding shares of 3932095 Canada Inc. and Source Sainte- Cécile Inc. in consideration of the issuance of 4,720,000 common shares.

On April 8, 2021 the Company acquired 100% of the shares of a 100% interest in the Source Saint-Siméon water rights located in the Province of Québec, through the acquisition (the "Acquisition") of all the issued and outstanding shares of Société Alto 2000 Inc. in consideration of the issuance of 3,000,000 common shares (each a "Share") of the Corporation at a deemed price of $0.105 per share.

On July 5, 2022 and September 19, 2022, the Company completed a non-brokered private placement offering of units of Prime for gross proceeds of $3,335,000.

On September 20, 2022, Mr. Olivier Primeau was elected as President, CEO and Chairman of the Board and Mr. Germain Turpin has stepped down from his role of CEO, CFO and Chairman of the Board.

On November 23, 2022, the Company changed its name from Dominion Water Reserves Corp. to Prime Drink Group Corp.

On June 12, 2023, Mr. Alexandre Côté was nominated as Interim President and CEO and Mr. Germain Turpin as Chairman of the Board and Mr. Olivier Primeau has resigned from his role of President, CEO, Director, and Chairman of the Board.

On August 15, 2023, Mr. Alexandre Côté was elected as President and CEO and Mr. Dominique Primeau as a new Director of the Company and Mr. Raimondo Messina as Chairman of the Board.

On May 14, 2024, the Company entered into a share purchase agreement, which was amended and restated on May 21, 2024. On August 7, 2024, the Company has entered into a second amended and restated share purchase agreement (the "Share Purchase Agreement") with 9296-0186 Québec Inc. ("9296"), the shareholders of 9296 (together with 9296, the "**Vendors**"), and Angelpart Ventures Inc. whereby the Company will acquire all of the issued and outstanding common shares of Triani Canada Inc. ("Triani") by way of business combination (the "Transaction").

Pursuant to the amended and restated Share Purchase Agreement, Prime will acquire the Triani Shares in exchange for (i) 91,200,000 common shares in the capital of Prime ("**Prime Shares**") having an aggregate value of $11,400,000, with each Prime Share to be issued at a deemed price $0.125 and (ii) 11,200,000 common share purchase warrants of Prime with an exercise price of $0.125 per share and which expire twelve (12) months from the closing date of the Transaction. In addition to the Consideration, subject to Triani reaching certain earnings before interest, taxes, depreciation and amortization targets, Prime shall pay, solely to 9296, an additional consideration in an amount of up to $23,500,000 payable in bonus consideration shares of Prime (the "**Bonus Consideration**") at a deemed price of $0.125 per share for any Bonus Consideration payable in the financial years ended March 31, 2025 and 2026, and $0.16 per share for any Bonus Consideration payable in the financial year ended March 31, 2027.

Pursuant to the Share Purchase Agreement, the Company and 9296 shall enter into a License and Option Agreement as of the Closing Date (the "**License and Option Agreement**"), whereby the Company shall be granted: (i) an exclusive license in favour of the Company (the "**Licence**") for the use of any intellectual property, including but not limited to the brands, currently used by the Vendor as part of its business which will not be owned by Triani on the Closing Date (the "**IP**"); (ii) a right of first refusal to acquire the IP in the event of the disposition of such IP by the owner(s) thereof for the duration of the License; (iii) an exclusive option to acquire the IP, to be valued by an independent valuation, at a minimum price of $35,000,000 for a period of 3 years following the Closing Date. Additionally, the Company and 9372-3039 Québec inc. shall enter into a property option agreement, whereby the Company shall be granted: (i) an exclusive option to acquire the St-Jean sur Richelieu property, for a 3-year period starting on the 3rd anniversary of the Closing Date and ending on the 6th anniversary of the Closing Date, at a price equal to the higher of $5,000,000 and the fair market value of such property at the time of exercise of the option; and (ii) an exclusive option to acquire the Terrebonne property, for a 3-year period starting on the 3rd anniversary of the Closing Date and ending on the 6th anniversary of the Closing Date, at a price equal to the higher of $29,000,000 and the fair market value of such property at the time of exercise of the option (the "**Property Option Agreement**"). The specific terms of the License and Option Agreement and the Property Option Agreement shall be finalized by the parties thereto and remain subject to the terms to be contained therein.

Additionally, the Company shall make a cash contribution in the amount of $5,000,000 to the operations of Triani on the Closing Date. Such amount shall be used as working capital by the Company in the ordinary course of business.

Prior to Closing, the Company intends to issue and sell a minimum of 40,000,000 Subscription Receipts and a maximum of 60,000,000 Subscription Receipts at a price of $0.125 per Subscription Receipt for gross proceeds of a minimum of $5,000,000 and a maximum of $7,500,000. Each Subscription Receipt shall be converted, without payment of any additional consideration and without any further action by the holder thereof, into one common share in the capital of Prime ("**Prime Shares**") on a post-Consolidation basis, subject to adjustment, upon satisfaction or waiver of certain escrow release conditions. On May 22, 2024, the Company closed a first tranche of 42,269,000 Subscription Receipts for gross proceeds of $5,283,625. Cash finder's fees of $248,692 will be paid from the escrow proceeds of the Offering. On July 31, 2024, the Company closed a second tranche of 9,560,000 Subscription Receipts for gross proceeds of $1,195,000. Cash finder's fees of $14,040 will be paid from the escrow proceeds of the Offering.

The Transaction will constitute a "fundamental change" for the Company pursuant to the rules and policies of the CSE. In connection with the closing of the Transaction, the Company will change its name to "Prime Group Corp." and will continue the business of Triani.

## SELECTED FINANCIAL INFORMATION

### - Financial Condition Review

| | **As at June 30, 2024 $** | As at December 31, 2023 $ |
|---|---|---|
| Cash | 1,767,912 | 2,678,137 |
| Restricted cash | 5,587,363 | - |
| Property and equipment | 528,384 | 528,678 |
| Water rights | 5,657,862 | 5,657,862 |
| Total liabilities | 5,649,845 | 109,516 |
| Total Equity | 8,203,194 | 8,774,835 |

### - Assets

The Company ended the period of six months ended June 30, 2024 with a cash balance of $1,767,912 compared to a cash balance of $2,678,137 as at December 31, 2023, a decrease of $910,225 which is the cash used in operations for the period and expenses paid for Triani Canada Inc., recorded as other receivables.

The Company also ended the period of six months ended June 30, 2024 with restricted cash of $5,587,363 in connection with a subscription receipt financing. The subscription receipts are held in escrow until the completion of a proposed business combination pursuant to the terms and conditions of a share purchase agreement signed by the Company and the same amount was recognized as a liability as at June 30, 2024 (refer to “Overall Performance” section above).

### - Water rights

As at June 30, 2024, the Company owned the following Water rights:

| | ***Water rights*** | |
|---|---|---|
| | **June 30, 2024** | **December 31, 2023** |
| **Water source** | **$** | **$** |
| Duhamel | 684,250 | 684,250 |
| Notre-Dame-du-Laus | 3,833,150 | 3,833,150 |
| St-Joseph de Coloraine | 392,629 | 392,629 |
| Sainte-Cécile-de-Witton | 262,560 | 262,560 |
| Saint-Élie-de-Caxton | 246,025 | 246,025 |
| Source Alto 2000 Inc. | 239,248 | 239,248 |
| | **5,657,862** | **5,657,862** |

There were no impairment losses recognized on water rights during the six-month periods ended June 30, 2024 and 2023.

- **Total liabilities and Equity**

Total Equity as at June 30, 2024 was $8,203,194 compared to $8,774,835, a decrease of $571,641 principally because of the share-based compensation of $132,050 offset by the loss of $703,691 for the period.

- **Discussion and Results of Operations**

| | **Six months ended March 31, 2024 $** | Six months ended March 31, 2023 $ |
|---|---|---|
| Operating loss | (796,802) | (309,137) |
| Interest revenue | 93,111 | - |
| Net loss | (703,691) | (309,137) |
| Loss per share | | |
| Basic and diluted loss per share | (0.0049) | (0.0022) |
| Weighted average number of common shares outstanding | 144,177,462 | 141,936,639 |

The net loss for the six-months period ended June 30, 2024 was $703,691 or $0.0049 loss per share compared to $309,137 or $0.0022 loss per share for the same period in 2023.

Operating expenses for the six-months period ended June 30, 2024 are higher compared to the same period in 2023, primarily based on higher professional fees related to a targeted business combination as well as directors' and audit committee members' fees of $74,551 compared to nil in 2023. The Company has no revenues and is reliant upon equity financing to fund all of its requirements.

- **Summary of quarterly results**

| | **June 30, 2024** | **March 31, 2024** | **December 31, 2023** | **Sept-ember 30, 2023** | **June 30, 2023** | **March 31, 2023** | **Dec-ember 31, 2022** | **Sept-ember 30, 2022** |
|---|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Operating expenses | **428,923** | **367,879** | **424,076** | **294,133** | **217,193** | **91,944** | **335,589** | **280,638** |
| Net loss and compreh ensive loss | **(369,896)** | **(333,795)** | **(401,521)** | **(294,133)** | **(217,193)** | **(91,944)** | **(336,372)** | **(281,395)** |
| Basic and diluted loss per share | **(0.0026)** | **(0.0023)** | **(0.0029)** | **(0.0020)** | **(0.0015)** | **(0.0006)** | **(0.0027)** | **(0.0027)** |

- **Cash Flow review**

| | **Six months ended June 30, 2024** | Six months ended June 30, 2023 |
|---|---|---|
| Operating activities | | |
| Net loss and comprehensive loss for the period | (703,691) | (309,137) |
| Share-based payments | 132,050 | 83,557 |
| Interest earned on subscription receipts in escrow | (27,238) | - |
| Depreciation of property and equipment | 294 | 318 |
| Depreciation of Right-to-Use asset | - | 3,736 |
| | (598,585) | (221,526) |
| Changes in working capital account | | |
| Sales tax receivables | (33,565) | 8,335 |
| Other receivables | (232,192) | - |
| Prepaid expenses and deposits | (26,087) | (10,075) |
| Accounts payables and accrued liabilities | (19,796) | (104,267) |
| | (910,225) | (327,533) |

- **Financing Activities**

| | **Six months ended June 30, 2024** | Six months ended June 30, 2023 |
|---|---|---|
| Proceeds on exercise of warrants | - | 418,800 |
| Proceeds on exercise of stock options | - | 502,804 |
| Repayment of lease liability | - | (2,780) |
| Proceeds from subscription receipts | 5,560,125 | - |
| Subscription receipts in escrow | (5,560,125) | - |
| | - | 918,824 |

**- Liquidity, Capital Resources and Sources of Financing**

At June 30, 2024, Prime Drink Group Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of $10,721,366 since inception and expects to incur further losses in the development of its business. Additionally, the Company incurred a net loss and comprehensive loss of $703,691 during the period.

However, given the current cash position and foreseen cash inflows and outflows in the next twelve months, management believes that sufficient cash will be available to fund the Company's operating expenses and pursue development of its business at least for the next 12 months. While management has been successful in securing financing in the past, there can be no assurance that they will continue to do so in the future or the sources of funds or initiatives will be available to the Corporation.

- **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as at June 30, 2024 or as at the date of this MD&A.

- **Subsequent events**

The subsequent events are disclosed in Note 15 of Company's consolidated condensed interim financial statements for the six months period ended June 30, 2024.

- **Commitments**

On November 20, 2020, the company entered into a 25 year water sales contract with Acquanor Inc. with an obligation to supply water at a price of $0.005 per litre of water for the first five years, $0.010 from year 6 to 10, $0.015 from year 11 to 15 and $0.02 from year 16 to 25, not exceeding 71 million litres for each year with no significant consequences in the event of breach.

- **Critical Accounting estimates**

The critical accounting estimates are disclosed in Note 4 of Company's annual consolidated financial statements for the year ended December 31, 2023.

- **Changes in accounting policies including Initial adoption.**

The changes in accounting policies are disclosed in Note 3 of Company's annual audited financial statements for the year ended December 31, 2023.

The following table sets out the number of common shares as of the date hereof:

| | **As at August 29, 2024** |
|---|---|
| Common shares outstanding | 144,596,212 |
| Stock option exercisable | 5,500,000 |
| Warrants outstanding | 3,750,000 |

i. On February 24, 2023, 386,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $42,460.

ii. On February 26, 2023, 2,792,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $418,800.

iii. On March 3, 2023, 2,649,066 common shares were issued by the Company upon options exercised at an exercise price of $0.145, for a gross amount of $384,114.

iv. On April 6, 2023, 500,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $55,000.

v. On April 11, 2023, 193,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $21,230.

vi. On July 4, 2024, 418,750 common shares were issued upon the exercise of 418,750 warrants at an exercise price of $0.08 per share, for gross proceeds of $33,500.

- **Related Party Transactions**

| | **Three months ended June 30, 2024** | Three months ended June 30, 2023 | **Six months ended June 30, 2024** | Six months ended June 30, 2023 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Consulting fees paid to a Director (former CEO – Germain Turpin) | **9,000** | 20,000 | **18,000** | 50,000 |
| Consulting fees paid to the former CEO (Olivier Primeau) | **-** | 37,500 | **-** | 37,500 |
| Consulting fees paid to the current CEO (Alexandre Côté) | **23,333** | - | **33,333** | - |
| Consulting fees paid to the CFO (Jean Gosselin) | **25,000** | 21,000 | **46,000** | 42,000 |
| Professional fees paid to a Director (Raimondo Messina) | **23,000** | - | **32,000** | - |
| Directors' and audit committee members' fees | **70,000** | - | **70,000** | - |
| Share-based compensation to Directors and Officers | **10,916** | 83,557 | **132,050** | 83,557 |

Alexandre Côté, Raimondo Messina, Michael Pesner, Robert Dunn, Germain Turpin and Dominique Primeau received each $10,000 as directors' fees. Michael Pesner received an additional $10,000 as audit committee chairman.

- **Risks and Uncertainties**

An investment in the common shares of the Company involves a high degree of risk and must be considered highly speculative due to the financial and operational risks inherent to the nature of the Company's business and the present stage of development of its properties. These risks may affect the Company's eventual profitability and level of operating cash flow. Prospective buyers of the common shares of the Company should consider the following risk factors:

**CLIMATE CHANGE**

The Company has its properties in various regions of Quebec where environmental laws are evolving and where several government authorities have introduced or are considering regulatory changes in response to the potential impact of climate change, such as regulations relating to emission levels and the Company remain attentive to the changes to come.

## ADDITIONAL FINANCING

Future development activities will require additional equity and debt financing. Failure to obtain such additional financing could result in delay or indefinite postponement of acquisition and development of the property interests of the Company.

## DEPENDENCE ON KEY INDIVIDUALS

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

## POLITICAL REGULATORY RISKS

Any changes in government policy may result in changes to laws affecting the Company's ability to undertake development activities in respect of present and future properties.

## CONFLICTS OF INTEREST

Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as the Company. This situation may result in conflicting legal obligations which may expose the Company to liability to others and impair its ability to achieve its business objectives.

## INSURANCE

The Company will remain at risk and will be potentially subject to liability for hazards associated with commodity exploitation which it cannot insure against or which it has elected not to insure against because of premium costs, market uncertainty and inability to raise capital.

## BUSINESS COMBINATIONS

The company is actively looking for business combinations to enable it to derive revenues from the water rights. There is a risk that the business combinations, including the Triani Acquisition, are not successfully completed. In addition delays in operational production might result in impairment of the water rights.

**SCHEDULE D**

**Interim Financial Statements of Triani for the three-month period ended June 30, 2024**

**[*see attached*]**

## Prime Drink Group Corp.

Pro Forma Consolidated Statements of Financial Position
As at June 30, 2024
(Unaudited)
(In Canadian dollars)

| | Prime Drink Group Corp. | Triani Canada Inc. | Pro Forma Adjustments | Note | Prime Drink Group Corp. Pro Forma |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | $ 1,767,912 | $ — | $ 8,544,307 | 3 h) | $ 10,312,219 |
| Restricted cash | 5,587,363 | — | (5,560,125) | 3 a) | 27,238 |
| Trade and other receivables | 272,288 | 2,422,568 | (232,192) | 3 k) | 2,462,664 |
| Inventories | — | 6,685,239 | — | | 6,685,239 |
| Other current assets | 39,230 | 26,314 | — | | 65,544 |
| | 7,666,793 | 9,134,121 | 2,751,990 | | 19,552,904 |
| **Non-current assets** | | | | | |
| Property and equipment | 528,384 | 12,166,139 | — | | 12,694,523 |
| Right-of-use of assets on lease | — | 11,417,711 | — | | 11,417,711 |
| Intangible assets | 5,657,862 | 219,683 | — | | 5,877,545 |
| Other non-current assets | — | 405,995 | — | | 405,995 |
| Goodwill | — | — | 37,431,844 | 3 e) | 37,431,844 |
| **Total assets** | $ 13,853,039 | $ 33,343,649 | $ 40,183,834 | | $ 87,380,522 |
| **Liabilities and Equity** | | | | | |
| **Current liabilities** | | | | | |
| Credit facility | $ — | $ 11,983,016 | $ — | | $ 11,983,016 |
| Accounts payable and accrued liabilities | 89,720 | 13,535,773 | (232,192) | 3 k) | 13,393,301 |
| Subscription receipts in escrow | 5,560,125 | — | (5,560,125) | 3 a) | — |
| Advance related to convertible debt | — | 1,482,900 | (1,482,900) | 3 d) | — |
| Current portion of long-term debt | — | 18,338,109 | — | | 18,338,109 |
| Current portion of lease liabilities | — | 1,872,000 | — | | 1,872,000 |
| | 5,649,845 | 47,211,798 | (7,275,217) | | 45,586,426 |
| **Non-current liabilities** | | | | | |
| Long-term debt | — | 40,000 | — | | 40,000 |
| Lease liabilities | — | 9,858,971 | — | | 9,858,971 |
| Other liabilities | — | 1,592,724 | — | | 1,592,724 |
| **Total liabilities** | 5,649,845 | 58,703,493 | (7,275,217) | | 57,078,121 |
| **Shareholders' equity** | | | | | |
| Share capital | 15,411,268 | 5,551,001 | 16,169,972 | 3 a) b) d) e) i) | 37,132,241 |
| Reserves | 3,513,292 | — | 1,134,500 | 3 a) b) | 4,647,792 |
| Deficit | (10,721,366) | (30,910,845) | 30,154,579 | 3 f) j) | (11,477,632) |
| **Total equity** | 8,203,194 | (25,359,844) | 47,459,051 | | 30,302,401 |
| **Total liabilities and equity** | $ 13,853,039 | $ 33,343,649 | $ 40,183,834 | | $ 87,380,522 |

**Prime Drink Group Corp.**

Pro Forma Consolidated Statements of Comprehensive Income
For the year ended December 31, 2023
(Unaudited)
(In Canadian dollars, except per share amounts)

| | Prime Drink Group Corp. | Triani Canada Inc. | Pro Forma Adjustments | Note | Prime Drink Group Corp. Pro Forma |
|---|---|---|---|---|---|
| **Revenues** | $ — | $ 16,833,976 | $ — | | $ 16,833,976 |
| **Expenses** | | | | | |
| Operating expenses | 1,027,346 | 18,663,723 | — | | 19,691,069 |
| Selling expenses | — | 5,808,235 | — | | 5,808,235 |
| Administrative expenses | — | 3,752,868 | — | | 3,752,868 |
| | 1,027,346 | 28,224,826 | — | | 29,252,172 |
| **Loss from operations** | (1,027,346) | (11,390,850) | — | | (12,418,196) |
| **Other expenses (income)** | | | | | |
| Interest revenues | (22,555) | — | — | | (22,555) |
| Financing expenses | — | 3,063,774 | — | | 3,063,774 |
| Other income | — | (1,550,933) | — | | (1,550,933) |
| Other professional fees and listing fees | — | — | 756,266 | 3 f) | 756,266 |
| | (22,555) | 1,512,841 | 756,266 | | 2,246,552 |
| **Net loss and comprehensive loss** | $ (1,004,791) | $ (12,903,691) | $ (756,266) | | $ (14,664,748) |
| Net loss per share – Basic and Diluted | (0.01) | (14.69) | | | (0.04) |
| Weighted average number of shares – Basic and diluted | 143,066,259 | 878,692 | | 3 g) | 331,893,259 |

## Prime Drink Group Corp.

Pro Forma Consolidated Statements of Comprehensive Income
For the six-month period ended June 30, 2024
(Unaudited)
(In Canadian dollars, except per share amounts)

| | Prime Drink Group Corp. | Triani Canada Inc. | Pro Forma Adjustments | Note | Prime Drink Group Corp. Pro Forma |
|---|---|---|---|---|---|
| **Revenues** | $ — | $ 6,570,413 | $ — | | $ 6,570,413 |
| **Expenses** | | | | | |
| Operating expenses | 796,802 | 8,943,191 | — | | 9,739,993 |
| Selling expenses | — | 2,416,695 | — | | 2,416,695 |
| Administrative expenses | — | 1,529,114 | — | | 1,529,114 |
| | 796,802 | 12,889,000 | — | | 13,685,802 |
| **Loss from operations** | (796,802) | (6,318,587) | — | | (7,115,389) |
| **Other expenses (income)** | | | | | |
| Interest revenues | (93,111) | — | — | | (93,111) |
| Financing expenses | — | 2,766,676 | — | | 2,766,676 |
| Other income | — | (1,357,202) | — | | (1,357,202) |
| Other professional fees and listing fees | — | — | 756,266 | 3 f) | 756,266 |
| | (93,111) | 1,409,474 | 756,266 | | 2,072,629 |
| **Net loss and comprehensive loss** | $ (703,691) | $ (7,728,061) | $ (756,266) | | $ (9,188,018) |
| Net loss per share – Basic and Diluted | (0.00) | (8.79) | | | (0.03) |
| Weighted average number of shares – Basic and diluted | 144,177,462 | 878,692 | | 3 g) | 333,004,462 |

## 1. Proposed Acquisition of Triani Canada Inc.

On May 14, 2024 and May 21, 2024, respectively, Prime Drink Group Corp. (“Prime”) or “the Company”, the Vendors (collectively, 9296-0186 Québec Inc. (“9296”), and the 9296 Shareholders), and Angelpart Ventures Inc. (“Angelpart”) (a company under common control) entered into the Share Purchase Agreements. On August 7, 2024, the Share Purchase Agreement was amended and restated. The Amended and Restated Share Purchase Agreement provides for the acquisition of all of the outstanding Triani Shares by Prime for an aggregate purchase price to be paid by Prime to the Vendors and Angelpart of $11,400,000 (the “Purchase Price”). Upon completion of the Acquisition, Prime will become the sole registered owner of all of the outstanding Triani Shares.

Pursuant to the Amended and Restated Share Purchase Agreement, the Purchase Price is payable via the issuance of Prime Shares at a deemed price of $0.125 per Prime Share to be issued and delivered on the Closing Date as follows: a) 75,200,000 Prime Shares to 9296, with a deemed value of $9,400,000; and b) 16,000,000 Prime Shares to Angelpart, a company under common control with a deemed value of $2,000,000.

In addition, as of the Closing Date, Prime will issue 11,200,000 share purchase warrants to 9296 with an exercise price of 0.125 per Share and will have an expiry period of twelve (12) months from the Closing Date.

In addition to the Purchase Price, Prime shall pay, solely to 9296, additional consideration in an amount up to $23,500,000, payable in Prime Shares (the “Bonus Consideration Shares”) pursuant to the following terms, the Company shall pay to the Vendors:

a) $2,500,000, payable in Bonus Consideration Shares at a deemed value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $2,000,000 in EBITDA during the financial year ended March 31, 2025, prorated to take into account the period between the Closing Date and March 31, 2025;

b) $2,500,000, payable in Bonus Consideration Shares at a deemed value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $4,000,000 in EBITDA during the financial year ended March 31, 2026, or $12,500,000 payable in Bonus Consideration Shares at a deemed value of $0.125 per Bonus Consideration Share, if the Company generates a minimum of $5,000,000 in EBITDA during the financial year ended March 31, 2026; and

c) $2,500,000, payable in Bonus Consideration Shares at a deemed value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $4,000,000 in EBITDA during the financial year ended March 31, 2027; $6,500,000, payable in Bonus Consideration Shares at a deemed value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $7,000,000 in EBITDA during the financial year ended March 31, 2027; or $8,500,000, payable in Bonus Consideration Shares at a deemed value of $0.16 per Bonus Consideration Share, if the Company generates a minimum of $10,000,000 in EBITDA during the financial year ended March 31, 2027.

Prime shall also make a cash contribution of up to $5,000,000 to the operations of Triani on the Closing Date (the “Cash Contribution”). Such amount shall be used as working capital by Triani in the ordinary course of its business.

Pursuant to the Amended and Restated Share Purchase Agreement, the Resulting Issuer and 9296 shall enter into a license and option agreement as of the Closing Date (the “License and Option Agreement”), whereby the Resulting Issuer shall be granted: (i) an exclusive license in favour of the Resulting Issuer (the “Licence”) for the use of any intellectual property, including but not limited to the brands, currently used by the Vendors as part of its business which will not be owned by Triani on the Closing Date (the “IP”); (ii) a right of first refusal to acquire the IP in the event of the disposition of such IP by the owner(s) thereof for the duration of the License; (iii) an exclusive option to acquire the IP, to be valued by an independent valuation, at a minimum price of $35,000,000 for a period of three (3) years following the Closing Date. Additionally, the Resulting Issuer and 9372-3039 Québec inc. shall enter into a property option agreement, whereby the Resulting Issuer shall be granted: (i) an exclusive option to acquire the St-Jean Property, for a three (3) year period starting on the third anniversary of the Closing Date and ending on the sixth anniversary of the Closing Date, at a price equal to the higher of $5,000,000 and the fair market value of such property at the time of exercise of the option; and (ii) an exclusive option to acquire the Terrebonne Property, for a three (3) year period starting on the third anniversary of the Closing Date and ending on the sixth anniversary of the Closing Date, at a price equal to the higher of $29,000,000 and the fair market value of such property at the time of exercise of the option (the "Property Option Agreement"). The specific terms of the License and Option Agreement and the Property Option Agreement are to be finalized by the parties as of the Closing Date and remain subject to the terms to be contained therein.

## 2. Basis of Preparation

The accompanying unaudited pro forma consolidated financial statements of the Company have been prepared by Management of the Company to give effect to the Acquisition and the Concurrent Financing. In Management's opinion, these unaudited pro forma consolidated financial statements include all material adjustments necessary for a fair presentation in accordance with international Financial Reporting Standards ("IFRS").

The unaudited pro forma consolidated financial statements are not necessarily indicative of the operating results or financial condition that would have been achieved if the Acquisition had been completed on the dates or for the periods presented, nor do they purport or project the results of operations or financial position of the combined entities for any future period or as of any future date.

The pro forma adjustments and purchase price allocation have been determined from information available to the Management of the Company at this time. Accordingly, the purchase price allocation is subject to material changes.

The unaudited pro forma consolidated financial statements of the Company have been compiled from and include:

i. The unaudited pro forma consolidated statement of financial position as at June 30, 2024 which has been prepared from the unaudited interim consolidated statement of financial position of the Company as at June 30, 2024, the unaudited statement of financial position of Triani Canada Inc. as at June 30, 2024 and the pro forma assumptions and adjustments, as set out in Note 3.

ii. The unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2023 which has been prepared from the audited statement of comprehensive income of the Company for the year ended December 31, 2023, the audited consolidated statement of comprehensive income of Triani Canada Inc. for the year ended March 31, 2024, and the pro forma assumptions and adjustments, as set out in Note 3.

iii. The unaudited pro forma consolidated statement of comprehensive income for the six-month period ended June 30, 2024 which has been prepared from the unaudited consolidated statement of comprehensive income of the Company for the six-month period ended June 30, 2024, the unaudited statement of comprehensive income of Triani Canada Inc. for the six-month period ended June 30, 2024 and the pro forma assumptions and adjustments, as set out in Note 3.

(In Canadian dollars)

## 3. Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated statement of financial position as at June 30, 2024, the unaudited pro forma consolidated statement of comprehensive income for year ended June 30, 2024 give effect to the Acquisition, and the Concurrent Private Placement as if they had occurred on June 30, 2024 respectively.

| | Note | | Amount |
|---|---|---|---|
| **Financing** | | | |
| Concurrent Subscription Receipt Financing | 3 a) | | 7,672,125 |
| Concurrent Unit Financing | 3 a) | | 1,000,000 |
| Bridge Convertible Debenture Financing | 3 d) | | 3,000,000 |
| Financing costs, Subscription Receipts issue costs and transactions costs | 3 a) f) | | (1,644,918) |
| **Total financing (net of financing, issuance and transaction costs)** | | **$** | **10,027,207** |

a) *Concurrent Subscription Receipt Financing*

During the six-month period ended June 30, 2024, the Company received $5,560,125 from investors, in connection with the subscription receipt financing, to purchase 44,481,000 units of the Company at $0.125 per unit. The subscription receipts were held in escrow until the completion of a proposed business combination pursuant to the terms and conditions of the share purchase agreement signed by the Company, the receipt of all shareholder and regulatory approvals, and the conditional approval obtained by the CSE. As at June 30, 2024, an amount of $27,238 was also earned as interest on the escrow proceeds.

The total gross proceeds raised from the Concurrent Subscription Receipt Financing was $7,672,125 through the issuance of a total of 12,275,400 Prime Subscription Receipts, resulting in the issuance of 61,377,000 Resulting Issuer Shares at a deemed price of $0.125 per Resulting Issuer Share.

The gross proceeds from the Concurrent Subscription Receipt Financing have been deposited with the Subscription Receipt Agent in escrow (the “Escrowed Proceeds”) pursuant to the Subscription Receipt Agreement. The Escrowed Proceeds will be released by the Subscription Receipt Agent to the Company upon receipt of a notice (the “Release Notice”) to the Subscription Receipt Agent from the Company indicating the completion or satisfaction, as the case may be, of all conditions precedent to the Acquisition shall have occurred, been satisfied or been waived (together with the Release Notice, the “Escrow Release Conditions”). Upon and subject to the receipt by the Subscription Receipt Agent of the Release Notice the Escrowed Proceeds shall be released to the Company and the holders of Prime Subscription Receipts will be issued Prime Shares. If the Escrow Release Conditions have not been satisfied on or before the date that is 120 days from the closing of the Concurrent Subscription Receipt Financing, the holders of the Prime Subscription Receipts will be refunded the gross proceeds paid for the Prime Subscription Receipts, plus any accrued interest.

*Concurrent Unit Financing*

On October 15, 2024, the Company completed the Concurrent Unit Financing at a price of $1,000 per Prime Unit for total gross proceeds of $1,000,000 through the issuance of 1,000 Prime Units. Each Prime Unit is comprised of 6,250 Prime Shares and 6,250 Prime Warrants and therefore, a total of 6,250,000 Prime Shares and 6,250,000 Prime Warrants will be issued pursuant to the Concurrent Unit Financing. Each Prime Warrant is exercisable to purchase one Prime Share at a price of $0.16 per Prime Share for a period of 24 months from the closing date of the Concurrent Unit Financing. The subscriber of the Concurrent Unit Financing is an arm’s length party to Triani and Prime.

(In Canadian dollars)

The fair value of the warrants of $462,500 ($0.074 per warrant) was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Share price | $0.125 |
| Exercise price | $0.16 |
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.20% |
| Forfeiture rate | 0% |
| Expected life | 2 year |
| Expected volatility | 125.0% |

The fair value of warrants issued and outstanding is reflected in Reserves. The remaining balance of $537,500 is reflected in the share capital. Amounts for warrants that are subsequently exercised will be transferred from reserves to share capital.

The Financing costs, Subscription Receipts issue costs and Transactions costs are approximately $1,644,918, of which an amount of $888,652 was related to share issuance costs and was presented through Share Capital on the Statement of financial position and an amount of $756,266 was related to Transactions costs, which was expensed, refer to 3 f) for more details.

Pursuant to the Amended and Restated Share Exchange Agreement, the previously proposed consolidation of five (5) post-consolidation Prime Shares for one (1) pre-consolidation Prime Share was removed and therefore, all Prime Subscription Receipts will be converted into Prime Shares at a deemed price of $0.125 per Prime Share, upon satisfaction of the Escrow Release Conditions.

b) Financing of the acquisition:

| | Note | | Amount |
|---|---|---|---|
| **Aggregate purchase price** | | **$** | **12,072,000** |
| New Equity issued to Triani Shareholders | 3 b) | | 11,400,000 |
| Warrants issued to 9296-0186 Québec Inc. Shareholders | 3 b) | | 672,000 |
| **Total consideration** | | **$** | **12,072,000** |

Assuming the Arrangement becomes effective, the shareholders of Triani and Angelpart will receive 91,200,000 Prime Common Share at a price of $0.125, representing an amount of share capital of $11,400,000 to be issued on the date of the Arrangement closing. No commission or other fee will be paid to the agent in connection with the Arrangement Agreement.

Assuming the Arrangement becomes effective, the Company will issue 11,200,000 share purchase warrants to 9296 with an exercise price of 0.125 per Share and will have an expiry period of twelve (12) months from the Closing Date. The fair value of the warrants of $672,000 ($0.06 per warrant) was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

| | |
|---|---|
| Share price | $0.125 |
| Exercise price | $0.125 |
| Expected dividend yield | Nil |
| Risk-free interest rate | 3.20% |
| Forfeiture rate | 0% |
| Expected life | 1 year |
| Expected volatility | 125.0% |

The fair value of warrants issued and outstanding is reflected in Reserves. Amounts for warrants that are subsequently exercised will be transferred from reserves to share capital.

c) In addition to the Purchase Price, the Company shall pay, solely to 9296, additional consideration in an amount up to $23,500,000, payable in Prime Shares (the “Bonus Consideration Shares”) pursuant certain terms.

For the purposes of the preparation of those Pro Forma financial statements, the Company estimated the Bonus Consideration Shares as contingent consideration and used its best estimate of its measurement on Transaction date. The estimates of outcome and financial effect was determined by the judgement of the management of the Company and supplemented by experience of similar transactions. Additionally, risks and uncertainties that inevitably surround events and circumstances has been considered in reaching the best estimate of the provision. Following its assessment, the Company estimated that the most likely outcome results in a fair value of $0 for the Bonus Consideration Shares.

d) In connection with the Transaction, Triani issued a total of $3,000,000 in convertible debentures whereby the principal amount outstanding will upon closing of the Transaction, without any further action of the debenture holder thereof, be exchanged into Resulting Issuer Shares at a price of $0.10 per Resulting Issuer Share (the “Bridge Convertible Debentures”). On June 30, 2024, an amount of $1,482,900 was received by Triani and is presented in Advance related to a convertible debt on the Statement of Financial Position.

In the event that the Transaction does not close, Triani shall pay the outstanding principal amount plus interest owing on the day that is 12 months following the issue date of the Bridge Convertible Debenture (the “Maturity Date”). The Bridge Convertible Debentures will bear interest starting from its respective issuance date at a rate of 12.1% per annum with interest calculated and paid annually, with such interest rate being calculated on the basis of 30 days per month and 360 days per year. Interest shall accrue and be paid in arrears on the Maturity Date, unless the Bridge Convertible Debentures are automatically converted into Resulting Issuer Shares upon closing of the Transaction.

For the purposes of the preparation of those Pro Forma financial statements, the Company assumes that the closing of the Transaction is occurring and that the convertible debentures will be exchanged into Prime shares.

(In Canadian dollars)

**Purchase price allocation:**

e) The following table reflects the effect of Triani's preliminary purchase price allocation. The Company will purchase all of the outstanding shares of Triani for total consideration of $12,072,000.

| | | Preliminary |
|---|---|---|
| **Assets acquired :** | | |
| Trade and other receivables | $ | 2,422,568 |
| Inventories | | 6,685,239 |
| Other current assets | | 26,314 |
| Property and equipment | | 12,166,139 |
| Right-of-use of assets on lease | | 11,417,711 |
| Intangible assets | | 219,683 |
| Other non-current assets | | 405,995 |
| Goodwill | | 37,431,844 |
| | | 70,775,493 |
| **Liabilities assumed :** | | |
| Credit facility | | 11,983,016 |
| Accounts payable and accrued liabilities | | 13,535,773 |
| Long-term debt | | 18,378,109 |
| Lease liabilities | | 11,730,971 |
| Convertible debt | | 1,482,900 |
| Other payables | | 1,592,724 |
| | | 58,703,493 |
| **Net assets acquired at fair value** | $ | 12,072,000 |
| **Consideration given :** | | |
| New Equity issued to target | | 11,400,000 |
| Warrants issued to target | | 672,000 |
| | $ | 12,072,000 |

The above represents Management's preliminary assessment and estimates of the total consideration, net assets acquired and liabilities assumed. As of the reporting date, the Company has not completed the purchase price allocation over the identifiable net assets, intangibles and goodwill. Specifically, the recognition and measurement of intangible assets and deferred income tax is subject to finalization. Accordingly, the above fair value allocation is subject to change and such change may be material. Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

**Other Pro Forma adjustments:**

f) For the year ended December 31, 2023 and for the six-month period ended June 30, 2024, an amount of $756,266 was related to Transactions costs, listing fees and other professional expenses and was presented through Other professional fees and listing fees on the Statement of Comprehensive loss.

(In Canadian dollars)

g) The basic and diluted net loss per share has been calculated based on the following basic and diluted weighted average number of the Company common shares outstanding adjusted as follows:

| (number of shares, except per share amount) | Note | | **Year ended December 31, 2023** |
|---|---|---|---|
| *Pro forma* net loss attributable to shareholders | | $ | (14,664,748) |
| Basic weighted-average number of shares per the Company audited financial statements | | | 143,066,259 |
| Issuance of shares – Concurrent Subscription Receipt Financing | 3 a) | | 61,377,000 |
| Issuance of shares – Concurrent Unit Financing | 3 a) | | 6,250,000 |
| Issuance of shares – Acquisition of Triani | 3 b) | | 91,200,000 |
| Issuance of shares – Convertible debenture | 3 d) | | 30,000,000 |
| Total - Issuance of shares | | | 188,827,000 |
| *Pro forma* Basic weighted-average number of shares | | | 331,893,259 |
| ***Pro forma* net loss per share – Basic and Diluted** | | **$** | **(0.04)** |

| (number of shares, except per share amount) | Note | | **Six-month period ended June 30, 2024** |
|---|---|---|---|
| *Pro forma* net loss attributable to shareholders | | $ | (9,188,018) |
| Basic weighted-average number of shares per the Company interim financial statements | | | 144,177,462 |
| Issuance of shares – Concurrent Subscription Receipt Financing | 3 a) | | 61,377,000 |
| Issuance of shares – Concurrent Unit Financing | 3 a) | | 6,250,000 |
| Issuance of shares – Acquisition of Triani | 3 b) | | 91,200,000 |
| Issuance of shares – Convertible debenture | 3 d) | | 30,000,000 |
| Total - Issuance of shares | | | 188,827,000 |
| *Pro forma* Basic weighted-average number of shares | | | 333,004,462 |
| ***Pro forma* net loss per share – Basic and Diluted** | | **$** | **(0.03)** |

For the purpose of the proforma basic and diluted net loss per share, the warrants issued as consideration for acquisition of Triani are considered as anti dilutive, as the Company has reported net loss.

h) Net adjustment to cash:

| | Note | | Amount |
|---|---|---|---|
| Concurrent Subscription Receipt Financing | 3 a) | | 7,672,125 |
| Concurrent Unit Financing | 3 a) | | 1,000,000 |
| Bridge Convertible Debenture Financing | 3 d) | | 1,517,100 |
| Financing costs, Subscription Receipts issue costs and transactions costs | 3 a) f) | | (1,644,918) |
| Net adjustment to cash | | $ | 8,544,307 |

(In Canadian dollars)

i) Net adjustment to share capital

| | Note | | Amount |
|---|---|---|---|
| Issuance of shares – Concurrent Subscription Receipt Financing | 3 a) | | 7,672,125 |
| Issuance of shares – Concurrent Unit Financing | 3 a) | | 537,500 |
| Issuance of shares – Acquisition of Triani | 3 b) | | 11,400,000 |
| Issuance of shares – Convertible debenture | 3 d) | | 3,000,000 |
| Financing costs and Subscription Receipts issue costs | 3 a) | | (888,652) |
| Elimination of Triani share capital | | | (5,551,001) |
| Net adjustment to share capital | | $ | 16,169,972 |

j) Net adjustment to deficit

| | Note | | Amount |
|---|---|---|---|
| Other professional fees and listing fees | 3 f) | | (756,266) |
| Elimination of Triani deficit | | | 30,910,845 |
| Net adjustment to deficit | | $ | 30,154,579 |

k) On June 30, 2024, Prime Drink Group Corp. had a receivable of $232,192 with Triani Canada Inc. This balance was eliminated for consolidation purposes.

l) Although the Company believes cost savings and other synergies will be realized following the business combination, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all and accordingly, have not been reflected in the unaudited pro forma consolidated statements of comprehensive income.