

SBD CAPITAL CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of SBD Capital Corp.

Opinion

We have audited the consolidated financial statements of **SBD Capital Corp.** ("the Company"), which comprise the consolidated statement of financial position as at March 31, 2022 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' deficiency and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **SBD Capital Corp.** as at March 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the company had a working capital deficiency of \$217,966 (2021 - \$814,943), had not yet achieved profitable operations, has accumulated losses of \$48,139,726 (2021 - \$47,253,899) and expects to incur future losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of **SBD Capital Corp.** as at and for the year ended March 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on July 29, 2021.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 in the auditors' report. We have nothing to report in this regard.

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

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

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

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

Independent Auditor's Report

To the Shareholders of SBD Capital Corp. (Continued)

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 it 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 a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 a 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
September 13, 2022

The logo for Jones & O'Connell LLP features a stylized 'J+O' in blue and orange, followed by the company name 'Jones & O'Connell' in blue, with 'LLP' in a smaller font. Below the name, the text 'CHARTERED PROFESSIONAL ACCOUNTANTS' is written in a smaller, blue, sans-serif font.
CHARTERED PROFESSIONAL ACCOUNTANTS

SBD CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2022 AND 2021

(Expressed in Canadian dollars)

	Note	March 31, 2022	March 31, 2021
Assets			
Current			
Cash and cash equivalents	\$	13,740	\$ 28,755
Accounts receivable		45,957	46,892
GST/HST receivable		8,214	3,808
Inventory	4	-	10,979
Total assets	\$	67,911	\$ 90,434
Liabilities			
Current			
Accounts payable and accrued liabilities	\$	241,606	\$ 465,645
Loans and advances	5	44,271	439,732
Total liabilities	\$	285,877	\$ 905,377
Shareholders' deficiency			
Capital stock	6(a)	36,235,874	35,460,953
Shares to be issued	6(a)	-	7,500
Contributed surplus		11,685,886	10,970,503
Accumulated deficit		(48,139,726)	(47,253,899)
Total shareholders' deficiency		(217,966)	(814,943)
Total liabilities and shareholders' deficiency	\$	67,911	\$ 90,434

Nature of operations and going concern (note 1)

Approved on behalf of the board:

"Aleem Nathwani" Director
"Kyle Hardy" Director

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

SBD CAPITAL CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

(Expressed in Canadian dollars)

	Note	2022	2021
Revenue		\$ 14,832	\$ 24,126
Cost of goods sold	4	16,292	18,129
Gross margin		(1,460)	5,997
EXPENSES			
Bank charges		628	2,060
Consulting fees		76,704	50,294
Office, general and administrative		1,827	3,015
Storage costs		14,459	18,156
Professional fees		48,031	111,779
Transfer agent and filing fees		23,333	17,629
		164,982	205,802
Other Items			
Loss on debt settlements	6	(729,904)	-
Gain on reversal of accounts payable and accrued liabilities		9,478	-
Unrealized foreign currency translation gain		1,041	12,252
Net Loss and comprehensive loss		\$ (885,827)	\$ (187,553)
Weighted average number of common shares			
outstanding basic and diluted		54,200,041	24,892,096
Net loss per share - basic and diluted	6	\$ (0.02)	\$ (0.01)

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

SBD CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

	Note	Capital Stock		Shares to be issued	Contributed surplus	Deficit	Total
		Number of shares	Amount				
Balance - March 31, 2020		24,892,096	\$ 35,460,953	\$ -	\$ 10,970,503	\$ (47,066,346)	\$ (634,890)
Shares to be issued		-	-	7,500	-	-	7,500
Comprehensive loss for the year		-	-	-	-	(187,553)	(187,553)
Balance - March 31, 2021		24,892,096	\$ 35,460,953	\$ 7,500	\$ 10,970,503	\$ (47,253,899)	\$ (814,943)
Units issued on private placement	6	2,100,000	33,921	(7,500)	18,579	-	45,000
Units issued on private placement	6	29,700,000	742,500	-	696,804	-	1,439,304
Share issuance cost - cash		-	(1,500)	-	-	-	(1,500)
Comprehensive loss for the year		-	-	-	-	(885,827)	(885,827)
Balance - March 31, 2022		56,692,096	\$ 36,235,874	\$ -	\$ 11,685,886	\$ (48,139,726)	\$ (217,966)

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

SBD CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
Operating activities		
Net loss for the period	\$ (885,827)	\$ (187,553)
Adjustments not affecting cash:		
Loss on debt settlements	729,904	-
Write-down of inventory	8,234	12,811
Changes in non-cash working capital		
Accounts receivable	935	5,576
GST/HST receivable	(4,406)	66,821
Inventory	2,745	5,869
Accounts payable and accrued liabilities	69,020	54,137
Net cash used in operating activities	(79,395)	(42,339)
Financing activities		
Issuance of common shares, net of issuance costs	43,500	-
Proceeds from shares to be issued	-	7,500
Increase in loans and advances	20,880	44,948
Net cash provided by financing activities	64,380	52,448
Net increase (decrease) in cash	(15,015)	10,109
Cash - beginning of year	28,755	18,646
Cash - end of year	\$ 13,740	\$ 28,755

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

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

SBD Capital Corp. (“the Company” or “SBD”) was incorporated under the Business Corporations Act (Ontario) on May 11, 1979 and was a company with exploration and evaluation assets in Canada. The Company was engaged in acquiring controlling interests in industrial companies in the manufacturing and distribution business sector. The Company's registered office is located at Suite 401, 217 Queen Street West, Toronto, ON M5V 0R2

These consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from March 31, 2022. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company has negative operating cash flows, has a working capital deficiency of \$217,966 (March 31, 2021 - \$814,943) and an accumulated deficit of \$48,139,726 (March 31, 2021 - \$47,253,899). The Company will continue to search for new or alternate sources of financing in order to continue development of its products but anticipates that the current market conditions may impact the ability to source such funds. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statement of financial position.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements for the year ended March 31, 2022 were authorized for issue by the Board of Directors on September 13, 2022.

(b) Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Cont'd)

(c) Functional and Presentation Currency

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

(d) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned and controlled operating subsidiary, Secret Barrel Distillery Corporation. The financial statements of its subsidiary are included in the consolidated statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

The cash generating unit of the Company is North America.

(e) Critical Accounting Estimates, Judgments, and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

(i) Net realizable value of inventory:

Net realizable value for inventory is determined based on the selling price of the products in the normal course of operations. The selling price is impacted by several factors including, age and condition of the products, technical obsolescence, and market conditions in the customer's industry. Management estimates the selling price of inventory based on first-hand knowledge of the industry and the specific products held in inventory at year-end. These estimates will affect the carrying value of inventory and the amount of cost of goods sold.

(ii) Allowance for doubtful accounts:

Accounts receivable are reviewed for collectability on a weekly basis. Management is required to make judgment whether a receivable balance is collectable based on their relationship with the counterparty and knowledge of the counterparty's financial position. These judgments will affect the reported amount of accounts receivable as well as bad debt expense.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Cont'd)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Cont'd)

(iii) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

(iv) Valuation of warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's 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 issue, expected dividend 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. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

The significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

Inventory

The Company's inventory consists of saleable bottles of rum liquor. Inventory is valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue Recognition

IFRS 15 has a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the completion of services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled, the price is fixed and reasonably determinable, and collection of the sales proceeds is reasonably assured. For sales transactions with provincial liquor boards, the Company's performance obligation is fulfilled when the product is shipped from the Company's distribution facilities.

Excise taxes collected on behalf of the provincial government, licensing fees, and levies paid are deducted from the selling price to determine the transaction price at which revenue is recognized.

Product which has passed its expiration date for freshness or has been damaged and is returned by distributors is accepted and destroyed.

Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share Capital

Common shares and preferred shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Non-monetary assets and liabilities as well as revenue and expense transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Translation gain or loss adjustments are recognized in the year in which they occur.

Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise share options and warrants issued by the Company. The outstanding share options and warrants are not included in the diluted net loss per common share as they are anti-dilutive for all periods presented.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net earnings in the year of change.

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

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value-based method of accounting to all stock-based payments. Accordingly, stock-based payments for employees are measured at the fair value of the equity instruments issued and stock-based payments for non-employees are measured at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. Each tranche is considered a separate award with its own vesting period and fair value. Stock-based compensation is charged to the statement of comprehensive loss over the tranche's vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Warrants

For transactions involving the issuance of warrants, the Company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. In the case of unit placements, the proceeds from the issuance of units is allocated between common shares and warrants on a pro-rata basis based on relative fair values. Share issuance costs incurred in connection with the issuance of share capital are netted against the proceeds received.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss, which are measured initially at fair value.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Assets:

Financial assets are categorized for subsequent measurement as follows:

(a) Amortized cost (“AC”)

Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest (“SPPI”) are measured at amortized cost (“AC”). The Company’s accounts receivable is measured at amortized cost. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when accounts receivable is derecognized or impaired.

(b) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets that are held for trading and derivative assets are required to be measured at fair value through profit and loss (“FVTPL”). Financial assets that meet certain conditions may be designated at fair value through profit and loss upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred.

Assets in this category are subsequently measured at fair value with gains or losses recognized in profit and loss. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists.

The Company’s cash and cash equivalents are designated as financial assets at FVTPL.

(c) Fair Value through other comprehensive income (“FVOCI”)

Financial assets that are held to both collect contractual cash flows and for sale are required to be measured at fair value through other comprehensive income (“FVOCI”). Other financial assets, provided they are not held for trading and have not been designated as at fair value through profit and loss, can be designated as at fair value through other comprehensive income on initial recognition.

Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit and loss. Financial assets measured at fair value through other comprehensive income for which fair value cannot be estimated reliably, are measured at cost and any impairment losses are recognized in profit and loss. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit and loss and presented as a reclassification adjustment within other comprehensive income.

The Company has not designated any financial instruments as FVOCI for accounting purposes.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Liabilities

Financial liabilities are categorized for subsequent measurement as follows:

(a) Amortized Cost (“AC”)

Financial liabilities that are not otherwise measured as at fair value through profit and loss or designated at fair value are measured at amortized cost using the effective interest rate method. Any host contract in a hybrid instrument is also measured at amortized cost. Gains and losses are recognized in profit and loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company’s financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans and advances.

(b) Financial liabilities at fair value through profit and loss (“FVTPL”)

Financial liabilities that are held for trading and stand-alone derivative liabilities are required to be measured at fair value through profit and loss (“FVTPL”). When certain conditions are satisfied, embedded derivatives are required to be separately recognized and measured at fair value with subsequent changes in fair value recognized in profit and loss. A designation can be made at initial recognition for financial liabilities that include one or more embedded derivatives, provided the host contract is not a financial asset, to measure the entire hybrid instrument at fair value. Where certain criteria are met, for example measurement at amortized cost would create measurement inconsistencies, the financial liability can also be designated at fair value. For such designated financial liabilities, the amount of the change in fair value that relates to changes in the entity’s own credit risk is recognized in other comprehensive income and the remaining amount of the change in fair value is recognized in profit and loss. All contingent consideration payable is also included in this category.

The Company has not designated any financial instruments as hedges for accounting purposes.

The fair values of financial liabilities are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through profit and loss are recognized in profit and loss as incurred.

Classification

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data.

SBD CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

De-recognition:

The Company derecognized a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognized a financial liability when its contractual obligations are discharged, cancelled or expire.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company's cash-generating unit is alcohol and liquor sales.

An impairment loss in respect of other assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4. INVENTORY

The major components of inventory are classified as follows:

	March 31, 2022	March 31, 2021
Finished goods	\$ -	\$ 10,979
	\$ -	\$ 10,979

During the year-ended March 31, 2022, the Company took an allowance against inventory in the amount of \$8,234 (March 31, 2021 - \$12,811).

5. LOANS AND ADVANCES

As at March 31, 2022, the loans and advances balance is \$44,271 (March 31, 2021 - \$439,732). The loans and advances are non-interest bearing, have no specific terms of repayment.

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6. CAPITAL STOCK

(a) **Common shares**

Authorized capital - Unlimited number of common shares
- Unlimited number of special shares
- 500,000 preference shares

- (i) On April 15, 2021, the Company completed a non-brokered private placement financing of 30,000,000 units in the capital of the Company (the "Units") at a price of \$0.025 per Unit for gross proceeds of \$750,000. Each Unit is comprised of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one Common Share at a price of CDN\$0.05 per Common Share for a period of four (4) years from the date of closing.

29,700,000 units of this private placement with a fair value of \$742,500 for the common shares and a fair value of \$696,804 for the warrants were issued in exchange for accounts payable and accrued liabilities with a net book value of \$293,059 and loans and advances with a net book value of \$416,341 for a loss on debt settlements of \$729,904.

- (ii) On December 31, 2021, the Company completed a non-brokered private placement through the issuance of 1,800,000 units ("Units") at a price of \$0.025 per Unit for aggregate proceeds of \$45,000. Each Unit is comprised of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one Common Share at a price of CDN\$0.05 per Common Share for a period of two (2) years from the date of closing.

Total proceeds of \$45,000 was allocated between the common shares and warrants utilizing the relative fair value method. With \$26,241 recognized as common shares and \$18,759 recognized for warrants and recognized in contributed surplus.

(b) **Stock option plan and share-based compensation**

The Company has a stock option plan (the "Plan") under which it is authorized to grant stock options to acquire common shares to Directors, officers, employees and consultants. The aggregate number of common shares which may be issued and sold under the Plan will not exceed 10% of the aggregate number of common shares issued and outstanding from time to time. The number of common shares which may be reserved for issue to any one individual under the Plan within any one-year period shall not exceed 5% of the outstanding issue. The Board of Directors shall determine the exercise price of stock options issued, as applicable, based on the market price. The stock options are non-assignable and may be granted for a term not exceeding five years. Stock options issued under the Plan may vest at the discretion of the Board of Directors.

The following table summarizes information concerning the Company's stock options outstanding as at March 31, 2022 and 2021:

Stock Option Transactions	Number	Exercise Price	Weighted Average Exercise Price
Balance at March 31, 2020	2,400,000	\$0.32	\$0.32
Options expired	(1,550,000)	\$0.32	\$0.32
Balance at March 31, 2021	850,000		\$0.32
Options expired	(350,000)	\$0.32	\$0.32
Balance at March 31, 2022	500,000		\$0.32
Exercisable at March 31, 2022	500,000		\$0.32

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6. CAPITAL STOCK (Cont'd)

(b) Stock option plan and share-based compensation (Cont'd)

Date of Grant	Options Granted	Options Exercisable	Exercise Price	Expiry Date
December 19, 2019	500,000	500,000	\$0.32	December 19, 2022

The weighted average remaining contractual life of the outstanding options is 0.72 years (March 31, 2021 – 1.09).

The fair value of the options issued is determined using the Black-Scholes model for pricing options under the following weighted average assumptions;

Expected dividend yield	Nil
Risk free interest rate	1.69%
Expected volatility	187%
Expected life	3 years
Share price	\$0.115

In the annual consolidated statements of loss and comprehensive loss, the Company recorded share-based compensation of \$nil during the year ended March 31, 2022 (March 31, 2021 - \$nil).

(c) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year ended March 31, 2022 and 2021:

	Number	Weighted-Average Exercise Price	Expiry Date
Balance at March 31, 2020	19,800,000	\$0.10	August 16, 2020
Expired	(19,800,000)	\$0.10	
Balance at March 31, 2021	-	-	
Issued	30,000,000	\$0.05	April 15, 2025
Issued	1,800,000	0.05	December 30, 2023
Balance at March 31, 2022	31,800,000	\$0.05	

Date of Issuance	Number of Warrants	Exercise Price	Expiry Date
April 15, 2021	30,000,000	\$0.05	April 15, 2025
December 31, 2021	1,800,000	\$0.05	December 31, 2023

The weighted average remaining contractual life of the outstanding options is 2.97 years (March 31, 2021 – nil).

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6. CAPITAL STOCK (Cont'd)

(c) **Warrants (Cont'd)**

The fair value of the warrants issued on April 15, 2021, of \$696,804 was determined using the Black-Scholes model for pricing options/warrants under the following weighted average assumptions.

Expected dividend yield	Nil
Risk free interest rate	0.77%
Expected volatility	194.75%
Expected life	4 years
Share price	\$0.025
Exercise price	\$.05

The allocation value to warrants issued on December 31, 2021, of \$18,579 was determined using the relative fair method, which allocated the net proceeds of \$45,000 between common shares and warrants as described above. The fair value of warrants utilized in the relative fair value calculation was determined using the Black-Scholes model for pricing options/warrants under the following weighted average assumptions:

Expected dividend yield	Nil
Risk free interest rate	0.99%
Expected volatility	174.71%
Expected life	2 years
Share price	\$0.025
Exercise price	\$.05

Basic and diluted loss per common share based on net loss for the years ended March 31,

Numerator:	2022	2021
Net loss for the year	\$(885,827)	\$(187,553)
Denominator:		
Weighted average number of common shares outstanding - diluted	54,200,041	24,842,369
Loss per common share based on net loss for the year:		
Basic	\$ (0.02)	\$ (0.01)
Diluted	\$ (0.02)	\$ (0.01)

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6. CAPITAL STOCK (Cont'd)

Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at March 31:

	March 31, 2022	March 31, 2021
Common shares outstanding	56,692,096	24,892,096
Warrants to purchase common shares	31,880,00	-
Stock options to purchase common shares	500,000	850,000
Fully diluted common shares outstanding	88,992,096	25,742,096

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

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

Remuneration attributed to key management personnel can be summarized as follows:

	March 31, 2022	March 31, 2021
Short-term benefits*	\$ 50,000	\$ 79,800

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and professional fees.

As at March 31, 2022, loans payable consists of \$nil (March 31, 2021 - \$309,617) owed to companies with common officers and directors. The loans are non-interest bearing and have no specific terms of repayment.

8. FINANCIAL RISK FACTORS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and loans and advances. The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans and advances approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company's other financial instrument, being reclamation bonds, are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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8. FINANCIAL RISK FACTORS (Cont'd)

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Interest Rate Risk

The Company has cash balances and is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of March 31, 2022, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

As at March 31, 2022, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

As at March 31, 2022, the Company held cash of \$13,740 (March 31, 2021 - \$28,755) to settle current liabilities of \$285,877 (March 31, 2021 - \$905,377). All of the Company's non-provision liabilities are due within the next fiscal year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank.

9. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at March 31, 2022, the Company's capital stock was \$36,235,874 (March 31, 2021 - \$35,460,953).

There were no changes in the Company's approach to capital management during the year ended March 31, 2022 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

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9. CAPITAL MANAGEMENT (Cont'd)

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

10. INCOME TAXES

(a) Income Tax Expense

Major items causing the Company's income tax rate to vary from the Canadian statutory rate of approximately are as follows:

	March 31, 2022	March 31, 2021
	\$	\$
Loss before income taxes	(885,827)	(187,553)
Statutory rate	26.5%	26.5%
Income tax provision at statutory rate	(234,744)	(49,702)
Effect of income of:		
Non-deductible expense	193,425	(3,247)
Changes in deferred taxes not recognized	41,319	52,949
Provision for income taxes	-	-

(b) Deferred Income Taxes

The following deferred tax assets (liabilities) are not recognized in the consolidated financial statements due to the unpredictability of future income:

	March 31, 2022	March 31, 2021
Statutory rate: 26.5%	\$	\$
Exploration and evaluation assets	4,979,350	4,979,350
Losses carried forward	1,590,000	1,722,963
Financing costs	-	265
Unrecognized deductible temporary differences	6,569,350	6,702,578
Valuation allowance	(6,569,350)	(6,702,578)
	-	-

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10. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes (Cont'd)

The Company estimates that it will have approximately \$6,000,000 (March 31, 2021 - \$5,844,000) of non-capital losses carried forward which may be utilized to reduce Canadian taxable income in future years. To the extent they are not utilized, the non-capital losses carried forward expire as follows:

	\$
2025	53,000
2026	452,000
2027	892,000
2028	555,000
2030	632,000
2031	628,000
2032	692,000
2033	436,000
2034	176,000
2035	68,000
2036	9,000
2037	221,000
2038	221,000
2039	629,000
2040	130,000
2041	50,000
2042	156,000
	6,000,000