

**SBD CAPITAL CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2024 AND 2023**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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## Independent Auditor's Report

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### 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 statements of financial position as at March 31, 2024 and March 31, 2023 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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 financial position of **SBD Capital Corp.** as at March 31, 2024 and March 31, 2023 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our 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 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.

#### Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has negative operating cash flows, has a working capital deficiency of \$498,161 (2023 - \$413,863) and has an accumulated deficit of \$48,419,921 (2023 - \$48,335,623). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matter

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

#### Evaluation of Material Uncertainty Related to Going Concern

##### *Description of the matter*

We draw attention to Note 1 to the financial statements. At each reporting date, the Company assesses its ability to continue as a going concern. Whether the Company is able to continue as a going concern is a significant management judgment.

##### *Why the matter is a key audit matter*

We identified the evaluation of the Company's ability to continue as a going concern as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

##### *How the matter was addressed in the audit*

The primary procedure we performed to address this key audit matter included the following:  
We evaluated the appropriateness of the Company's key strategy to resolve the situation given the current financial position and cash flows from operations to determine if it was sufficient to support the going concern assumption.

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## Independent Auditor's Report

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### To the Shareholders of SBD Capital Corp. (Continued)

#### Information Other than the Consolidated 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 for the year ended March 31, 2024, filed with the relevant Canadian Securities Commissions. Our opinion on the consolidated 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 audits of the consolidated 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 audits 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 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 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 consolidated financial statements.

As a 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 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.

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## Independent Auditor's Report

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To the Shareholders of SBD Capital Corp. (Continued)

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

- 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 condition 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Wayne O'Connell.

*Jones & O'Connell LLP*

Jones & O'Connell LLP  
Chartered Professional Accountants  
Licensed Public Accountants  
July 26, 2024  
St. Catharines, Ontario

**SBD CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2024 AND 2023**  
(Expressed in Canadian dollars)

	Note	March 31, 2024	March 31, 2023
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,540	\$ 27,539
Accounts receivable		49,833	49,770
GST/HST receivable		796	3,018
Prepaid expenses		20,114	21,927
<b>Total assets</b>		<b>\$ 73,283</b>	<b>\$ 102,254</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 382,456	\$ 377,243
Loans and advances	4	188,988	138,874
<b>Total liabilities</b>		<b>\$ 571,444</b>	<b>\$ 516,117</b>
<b>Shareholders' deficiency</b>			
Capital stock	5(a)	36,235,874	36,235,874
Contributed surplus		11,685,886	11,685,886
Accumulated deficit		(48,419,921)	(48,335,623)
<b>Total shareholders' deficiency</b>		<b>(498,161)</b>	<b>(413,863)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 73,283</b>	<b>\$ 102,254</b>

Nature of operations and going concern (note 1)

Approved on behalf of the board:

"Chris Irwin" Director  
"Trumbull Fisher" 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, 2024 AND 2023**

(Expressed in Canadian dollars)

	Note	Twelve months ended March 31,	
		2024	2023
Revenue		\$ 12,217	\$ 12,133
Cost of goods sold		5,702	5,674
Gross margin		6,515	6,459
<b>EXPENSES</b>			
Bank charges		624	600
Consulting fees		30,000	30,000
Office, general and administrative		1,203	7,947
Storage costs		19,876	17,365
Professional fees		20,516	93,334
Transfer agent and filing fees		18,458	44,807
		<b>90,677</b>	<b>194,053</b>
<b>Other Items</b>			
Unrealized foreign currency translation loss		(136)	(8,303)
		<b>\$ (84,298)</b>	<b>\$ (195,897)</b>
Weighted average number of common shares outstanding basic and diluted		<b>4,723,668</b>	4,723,668
Net loss per share - basic and diluted	5	<b>\$ (0.02)</b>	\$ (0.04)

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, 2024 and 2023**  
(Expressed in Canadian dollars)

	Capital Stock		Contributed surplus	Deficit	Total
	Number of shares	Amount			
<b>Balance - March 31, 2022</b>	<b>4,723,668</b>	<b>\$ 36,235,874</b>	<b>\$ 11,685,886</b>	<b>\$ (48,139,726)</b>	<b>\$ (217,966)</b>
Comprehensive loss for the period	-	-	-	(195,897)	(195,897)
<b>Balance - March 31, 2023</b>	<b>4,723,668</b>	<b>\$ 36,235,874</b>	<b>\$ 11,685,886</b>	<b>\$ (48,335,623)</b>	<b>\$ (413,863)</b>
Comprehensive loss for the period	-	-	-	(84,298)	(84,298)
<b>Balance - March 31, 2024</b>	<b>4,723,668</b>	<b>\$ 36,235,874</b>	<b>\$ 11,685,886</b>	<b>\$ (48,419,921)</b>	<b>\$ (498,161)</b>

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, 2024 and 2023**  
(Expressed in Canadian dollars)

	2024	2023
<b>Operating activities</b>		
Net loss for the period	\$ (84,298)	\$ (195,897)
Changes in non-cash working capital		
Accounts receivable	(63)	(3,813)
Prepaid expense	1,813	(21,927)
GST/HST receivable	2,222	5,196
Accounts payable and accrued liabilities	5,213	135,637
Net cash used in operating activities	<b>(75,113)</b>	<b>(80,804)</b>
<b>Financing activities</b>		
Increase in loans and advances	50,114	94,603
Net cash provided by financing activities	<b>50,114</b>	<b>94,603</b>
Net increase (decrease) in cash	<b>(24,999)</b>	13,799
Cash - beginning of year	27,539	13,740
Cash - end of year	\$ <b>2,540</b>	\$ 27,539

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, 2024 and 2023**  
(Expressed in Canadian dollars)

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**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, 2024. 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 \$498,161 (March 31, 2023 - \$413,863) and an accumulated deficit of \$48,419,921 (March 31, 2023 - \$48,335,623). 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.

**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, 2024 were authorized for issue by the Board of Directors on July 26, 2024.

(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.

(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.

**SBD CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION (Cont'd)**

(d) Basis of Consolidation (Cont'd)

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.

(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.

**SBD CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION (Cont'd)**

(e) Critical Accounting Estimates, Judgments, and Assumptions 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. MATERIAL ACCOUNTING POLICY INFORMATION**

**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.

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.

**SBD CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)**

**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.

**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.

**SBD CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2024 and 2023**  
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**3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)**

**Income Taxes (Cont'd)**

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.

**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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)**

**Financial Instruments (Cont'd)**

(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.

**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.

**SBD CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2024 and 2023**  
(Expressed in Canadian dollars)

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)**

**Financial Instruments (Cont'd)**

(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.

**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.

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)**

**Financial Instruments (Cont'd)**

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. LOANS AND ADVANCES**

As at March 31, 2024, the loans and advances balance is \$188,988 (March 31, 2023 - \$138,874). The loans and advances are non-interest bearing, have no specific terms of repayment (see note 6).

**5. CAPITAL STOCK**

(a) **Common shares**

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

(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, 2024 and 2023:

<b>Stock Option Transactions</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Weighted Average Exercise Price</b>
<b>Balance at March 31, 2022</b>	<b>41,666</b>		<b>\$3.84</b>
Options expired	(41,666)	\$3.84	\$3.84
<b>Balance at March 31, 2024 and 2023</b>	<b>-</b>		<b>-</b>
<b>Exercisable at March 31, 2024 and 2023</b>	<b>-</b>		<b>-</b>



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**5. CAPITAL STOCK (Cont'd)**

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the year ended March 31, 2024 and 2023:

	Number	Weighted-Average Exercise Price	Expiry Date
<b>Balance at March 31, 2022 and 2023</b>	<b>2,650,000</b>	<b>\$0.60</b>	
Expired	(150,000)	\$0.60	December 30, 2023
<b>Balance at March 31, 2024</b>	<b>2,500,000</b>	<b>\$0.60</b>	

Date of Issuance	Number of Warrants	Exercise Price	Expiry Date
April 15, 2021	2,500,000	\$0.60	April 15, 2025

The weighted average remaining contractual life of the outstanding options is 1.04 years (March 31, 2023 – 1.97).

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

<b>Numerator:</b>	2024	2023
Net loss for the year	\$(84,298)	\$(195,897)
<b>Denominator:</b>		
Weighted average number of common shares outstanding - diluted	4,723,668	4,723,668
<b>Loss per common share based on net loss for the year:</b>		
Basic	\$ (0.02)	\$ (0.04)
Diluted	\$ (0.02)	\$ (0.04)

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, 2024	March 31, 2023
Common shares outstanding	4,723,668	4,723,668
Warrants to purchase common shares	2,500,000	2,650,000
Fully diluted common shares outstanding	7,223,668	7,373,668

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**6. 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:

	<b>March 31,</b>	March 31,
	<b>2024</b>	2023
Short-term benefits*	\$ 30,000	\$ 30,000
Legal fees	13,516	54,323
	<b>\$ 43,516</b>	<b>\$ 84,323</b>

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

The Company owed a partnership in which a director is a partner in the amount of \$94,409 as at March 31, 2024 (March 31, 2023 – \$74,981). In addition, the Company owed a corporation owned by a director in the amount of \$15,420 as at March 31, 2024 (March 31, 2023 - \$15,420). As at March 31, 2024, the Company owed a corporation owned by an officer in the amount of \$39,000 (March 31, 2023 - \$65,500).

The Company owed \$121,637, in loans and advances, to a company owned by a director.

**7. 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 instruments are measured at amortized cost.

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

**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.

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**7. FINANCIAL RISK FACTORS** (Cont'd)

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, 2024, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

As at March 31, 2024, 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, 2024, the Company held cash of \$2,540 (March 31, 2023 - \$27,539) to settle current liabilities of \$571,444 (March 31, 2023 - \$516,117). 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.

**8. CAPITAL MANAGEMENT**

The Company defines capital management in the manner it manages its capital stock. As at March 31, 2024, the Company's capital stock was \$36,235,874 (March 31, 2023 - \$36,235,874).

There were no changes in the Company's approach to capital management during the year ended March 31, 2024 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.

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.

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**9. 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, 2024	March 31, 2023
	\$	\$
Loss before income taxes	(84,298)	(195,897)
Statutory rate	26.5%	26.5%
Income tax provision at statutory rate	(22,339)	(51,913)
Effect of income of:		
Non-deductible expense	-	-
Changes in deferred taxes not recognized	22,339	51,913
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, 2024	March 31, 2023
Statutory rate: 26.5%	\$	\$
Exploration and evaluation assets	4,996,448	4,979,350
Losses carried forward	1,950,665	1,928,405
Financing costs	-	-
<b>Unrecognized deductible temporary differences</b>	<b>6,947,113</b>	<b>6,907,755</b>
Valuation allowance	(6,947,113)	(6,907,755)
	-	-

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**9. INCOME TAXES (Cont'd)**

(b) Deferred Income Taxes (Cont'd)

The Company estimates that it will have approximately \$7,361,000 (March 31, 2023 - \$7,277,000) 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	21,000
2037	242,000
2038	243,000
2039	1,128,000
2040	509,000
2041	188,000
2042	166,000
2043	196,000
2044	84,000
	7,361,000