



Hempsana Holdings Ltd.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Current assets			
Cash		\$ 51,168	\$ 90,624
Trade and other receivables		364,928	251,144
Inventory	3	130,236	130,640
Prepays, deposits and other receivables	4	38,369	59,606
Total current assets		584,701	532,014
Non-current assets			
Intangible assets	5	4,235	5,543
Property, plant and equipment	6	3,216,987	3,256,316
Total non-current assets		3,221,222	3,261,859
Total assets		\$ 3,805,923	\$ 3,793,873
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,757,085	\$ 1,539,397
Accounts payable to related parties	9	1,072,203	967,252
Government loan	7	36,559	35,498
Promissory note	7	300,822	292,094
Current portion of private loan	7	196,525	190,745
Total current liabilities		3,363,194	3,024,986
Non-current liabilities			
Long-term portion of debt	7	137,970	187,613
Total non-current liabilities		137,970	187,613
Total liabilities		\$ 3,501,164	\$ 3,212,599
Shareholders' equity			
Share capital	8	8,367,973	8,367,973
Other reserves	8	621,892	621,892
Deficit		(8,685,106)	(8,408,591)
Total shareholders' equity		304,759	581,274
Total liabilities and equity		\$ 3,805,923	\$ 3,793,873

Nature of operations and going concern 1

Approved on behalf of the Board of Directors:

//s// "Randy Ko"
Randy Ko
Director
President and CEO

//s// "Michael Bang"
Michael Bang
Director

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

	Notes	2023	2022
Revenue			
Sale of goods		\$ 281,514	\$ 312,980
Manufacturing services		96,495	41,875
Total revenue		378,009	354,855
Excise taxes		14,178	-
Net revenue		363,831	354,855
Cost of sales	10	180,920	179,017
Gross Profit		182,911	175,838
Expenses			
Management fees	9	75,000	112,558
Consulting fees	9	68,086	72,309
Wages		85,620	58,381
Depreciation and amortization	5 & 6	40,636	30,433
Insurance		25,223	18,812
Legal and professional fees		39,724	16,288
Office expenses		26,546	36,077
Other operating expenses		38,339	2,422
Investor relations and marketing		5,585	4,439
Other selling, general and administrative expenses		8,949	6,328
Facility supplies		13,404	21,787
Auto expenses		4,679	4,675
License fees		6,076	8,750
Total expenses		437,867	393,259
Net loss from operations		(254,956)	(217,421)
Other (expenses) income			
Other income	7	(22)	4,253
Interest expense	7	(21,537)	(29,207)
Net loss and comprehensive loss for the year		\$ (276,515)	\$ (242,375)
Loss per share			
Weighted average number of common shares outstanding			
Basic and diluted	11	24,129,323	22,281,791
Basic and diluted loss per share	11	\$ (0.01)	\$ (0.01)

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Number of shares	Share capital	Other reserves	Retained earnings	Total shareholders' equity
Balance at January 1, 2022		24,129,323	\$ 8,367,973	\$ 553,508	\$ (6,932,522)	\$ 1,988,959
Share-based payments		-	-	68,384	-	68,384
Net loss		-	-	-	(1,476,069)	(1,476,069)
Balance at December 31, 2022		24,129,323	\$ 8,367,973	\$ 621,892	\$ (8,408,591)	\$ 581,274
Net loss		-	-	-	(276,515)	(276,515)
Balance at March 31, 2023		24,129,323	\$ 8,367,973	\$ 553,508	\$ (8,685,106)	\$ 304,759

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

	Notes	2023	2022
Operating activities			
Net loss		\$ (276,515)	\$ (242,375)
Adjustments for non-cash items:			
Depreciation and amortization	5 & 6	21,002	30,433
Interest expense	7	22,649	11,111
Interest paid	7	(11,151)	-
<i>Changes in non-cash working capital items:</i>			
Trade receivables		(113,783)	-
Inventory	3	20,040	(29,523)
Prepays, deposits and other receivables	4	21,237	110,930
Accounts payable, accrued liabilities		203,288	200,562
Accounts payable to related parties	9	104,950	-
Net cash flows from operating activities		6,118	81,138
Financing activities			
Payments of private loan	7	(45,574)	(40,445)
Net used in from financing activities		(45,574)	(40,445)
Net (decrease) increase in cash		(39,456)	40,693
Cash, beginning of year		90,624	46,189
Cash, end of year		\$ 51,168	\$ 86,882

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

1. Nature of operations and going concern

Hempsana Inc. was incorporated under the laws of Canada on October 15, 2018. Stralak Resources Inc. ("Stralak") was incorporated on January 31, 1980 under the laws of the Province of British Columbia.

On June 25, 2021, Stralak was renamed to Hempsana Holdings Ltd. (the "Company"), as part of the reverse takeover transaction ("RTO") announced with Hempsana Inc.. The Company specializes in cannabis derivatives and is focused on extraction and purification, and end-product manufacturing. The Company has approval for Cannabidiol ("CBD") oil extraction in the European Union ("EU") and has been granted Health Canada's Standard Processing and Industrial Hemp Licenses. The Company's head office is located at 3080 Yonge Street, Suite 6060, Toronto, Ontario, Canada, M4N 3N1. The registered address is located at 148 Cranbrooke Avenue, Toronto, Ontario, Canada, M5M 1M5. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol (CSE: HMPS).

These unaudited interim condensed financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, as management believes it will be successful in generating positive cash flows from operations, complete additional financings, and/or extend or modify its loan payable (see note 7) in order to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

During the three months ended March 31, 2023, the Company incurred a net loss of \$276,515 (March 31, 2022 - \$242,375), had positive cash flows from operations of \$6,118 (March 31, 2022 - \$81,138), a working capital deficit of \$2,778,493 (December 31, 2022 - \$2,492,972) and an accumulative deficit of \$8,685,106 as at March 31, 2023 (December 31, 2022 - \$8,408,591).

These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

These financial statements do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. These financial statements be read in conjunction with the annual audited financial statements. These financial statements were authorized for issue by the Board of Directors on June 22, 2023.

Revenue recognition

The Company earns revenue from product sales, toll processing services and contract manufacturing services.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

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

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

Revenue from product sales, such as cannabis and hemp derived oils, vapes pens, tinctures, etc. and the related cost of sales is recognized on delivery of goods to the customer. Toll processing services are provided to other licensed companies who engage the Company to extract and refine their direct materials. Toll processing services revenues are recognized upon completion of services. Contract manufacturing services or fulfillment contracts involve white label manufacturing for third parties. Revenue for fulfillment services is recognized based upon the five-step process and can vary depending on the terms of each contract. The Company reports revenue at the full sales amount on fulfillment contracts which may include shipping and invoicing of end products on behalf of the customer at no additional cost as the Company is considered to be the principal seller under IFRS 15. Revenue is recognized when sales are completed with end customers. The Company's performance obligation includes selling finished products to end customers.

(b) Basis of presentation

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Presentation currency

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company.

(d) Use of estimates and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are described in the Company's annual audited financial statements for the year ended December 31, 2022, in addition to estimates relating to the fair value of the convertible debentures conversion feature which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

3. Inventory

Inventories consist of the following:

	March 31, 2023	December 31, 2022
Raw material	\$ 40,548	\$ -
Extracted hemp and cannabis oil	79,709	120,660
Packaging and supplies	9,980	9,980
	\$ 130,236	\$ 130,640

During the three months ended March 31, 2023, the Company expensed \$40,951 of inventories to cost of sales (March 31, 2022 - \$46,582).

4. Prepaids, deposits and other receivables

Prepaids, deposits and other receivables consist of the following:

	March 31, 2023	December 31, 2022
Sales tax recoverable	\$ -	\$ 39,430
Prepaids and deposits	38,369	20,176
	\$ 38,369	\$ 59,606

5. Intangible assets

A continuity of the intangible assets balance is provided below:

	Licenses	Website	Intangible assets
<u>Cost</u>			
December 31, 2021	\$ 35,135	\$ 8,250	\$ 43,385
Write-off	(19,125)	-	(19,125)
December 31, 2022	16,010	8,250	24,260
<u>Accumulated depreciation</u>			
December 31, 2021	(13,788)	(2,328)	(16,116)
Write-off	11,702	-	11,702
Depreciation	(11,583)	(2,720)	(14,303)
December 31, 2022	(13,669)	(5,048)	(18,717)
<u>Net book value</u>			
December 31, 2022	\$ 2,341	\$ 3,202	\$ 5,543
<u>Cost</u>			
December 31, 2022	\$ 16,010	\$ 8,250	\$ 24,260
March 31, 2023	16,010	8,250	24,260
<u>Accumulated depreciation</u>			
December 31, 2022	(13,669)	(5,048)	(18,717)
Depreciation	(864)	(445)	(1,308)
March 31, 2023	\$ (14,533)	\$ (5,492)	\$ (20,025)
<u>Net book value</u>			
March 31, 2023	\$ 1,477	\$ 2,758	\$ 4,235

During the year ended December 31, 2022, consulting costs that were capitalized to obtain an additional license were written off as the Company was no longer pursuing the application.

6. Property, plant and equipment

	Land	Building	Machinery and equipment	Security equipment	Total
Cost					
December 31, 2021	\$ 70,000	\$2,352,041	\$ 1,258,393	\$ 219,770	\$3,900,204
Additions	-	-	-	-	-
December 31, 2022	70,000	2,352,041	1,258,393	219,770	3,900,204
Accumulated depreciation					
December 31, 2021	-	(183,319)	(150,360)	(69,570)	(403,249)
Depreciation	-	(84,166)	(125,421)	(31,052)	(240,639)
December 31, 2022	-	(267,485)	(275,781)	(100,622)	(643,888)
Net book value					
December 31, 2022	\$ 70,000	\$2,084,556	\$ 982,612	\$ 119,148	\$3,256,316
Cost					
December 31, 2022	\$ 70,000	\$2,352,041	\$ 1,258,393	\$ 219,770	\$3,900,204
Additions	-	-	-	-	-
March 31, 2023	70,000	2,352,041	1,258,393	219,770	3,900,204
Accumulated depreciation					
December 31, 2022	-	(267,485)	(275,781)	(100,622)	(643,888)
Depreciation	-	(13,756)	(20,498)	(5,075)	(39,329)
March 31, 2023	-	\$ (281,241)	\$ (296,279)	\$ (105,697)	\$ (683,217)
Net book value					
March 31, 2023	\$ 70,000	\$2,070,800	\$ 962,114	\$ 114,073	\$3,216,987

As at March 31, 2023, the Company recognized \$39,329 of depreciation (March 31, 2022 - \$59,326). Of this amount, \$19,636 was applied to inventory during the three months ended March 31, 2023 (March 31, 2022 - \$32,420).

7. Debt

	March 31, 2022			Total long-term debt
	Private loan	Government loan	Promissory note	
	November 1, 2024	December 31, 2022	August 25, 2023	
Maturity				
Principal outstanding	\$ 341,201	\$ 40,000	\$ 301,692	\$ 682,893
Deferred financing costs	(6,706)	(3,441)	(870)	(11,017)
Total	334,495	36,559	300,822	671,876
Less: Current portion	196,525	36,559	300,822	533,906
Non-current portion	\$ 137,970	\$ -	\$ -	\$ 137,970

Hempsana Holdings Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)****(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)**

	December 31, 2022			Total long-term debt
	Private loan November 1, 2024	Government loan December 31, 2022	Promissory note August 25, 2023	
Maturity				
Principal outstanding	\$ 386,774	\$ 40,000	\$294,419	\$721,193
Deferred financing costs	(8,416)	(4,502)	(2,325)	(15,243)
Total	378,358	35,498	292,094	705,950
Less: Current portion	190,745	35,498	292,094	518,337
Non-current portion	\$ 187,613	\$ -	\$ -	\$187,613

The private loan matures on November 1, 2024 and can be repaid before maturity without penalty and is secured by the Company's land and building.

The private loan is recorded at amortized cost, which was initially measured at fair value less transaction costs. Loan issuance costs were capitalized when incurred and are being amortized over the term of the loan using the effective interest rate method. The private loan is repayable in monthly installments, with a combined principal and interest payment of \$18,908 per month.

As at March 31, 2023, the principal value of the private loan was \$341,201 (December 31, 2022 - \$386,774) and the fair value of the private loan was \$334,495 (December 31, 2022 - \$378,358).

On October 1, 2021, a Director of the Company agreed to finance the Company's private loan payments for three months. The total commitment was \$56,723 and covered the loan payments for October, November and December 2021. This Director is related to the holder of the existing private loan. Prior to this additional financing, the Company had owed \$196,363 which comprised of the \$189,108 previous loan payments made on the Company's behalf, as well as purchases for various equipment and services. As part of this additional financing from the Director, the Company restructured the entire amount owing as a new promissory note which bears a 10.0% interest rate. Half of the total amount owing was to be repaid on August 25, 2022, and the remaining half was due by August 25, 2023. On August 25, 2022, the Company and the Director agreed to extend the repayment date as the Company seeks to refinance its private loan. The Company can repay the promissory note early without penalty and it is secured by a second mortgage on the Company's land and building. As at March 31, 2023, the principal value of the promissory note was \$301,692 (December 31, 2022 - \$294,419) and the fair value of the promissory note was \$300,822 (December 31, 2021 - \$292,094).

In response to COVID-19, many governments around the world have provided various subsidy programs to assist companies during the pandemic. The Company participated in the Canada Emergency Business Account ("CEBA") program in Canada, which was announced in March 2020. CEBA provides interest-free loans up to \$60,000 to small businesses. On April 28, 2020, the Company received a \$40,000 interest-free government loan from the CEBA program. The interest-free benefit has been recorded in the statement of loss and comprehensive loss. The loan bears no interest until December 31, 2022, and \$10,000 loan forgiveness will be granted if repaid before this date. In January 2022 the Government of Canada announced an extension to the forgiveness repayment date to December 31, 2023. The Company recognized the interest-free benefit extension and has been recorded in the consolidated statements of loss and comprehensive loss as other income. The principal value of the government loan was \$40,000 as at March 31, 2023 (December 31, 2021 - \$40,000), and the fair value of the government loan was \$36,559 (December 31, 2021 - \$35,498).

Payments:

Within one year	\$ 550,090
1 – 3 years	144,676
	<u>\$ 694,766</u>

The following table provides a continuity of the long-term debt balances:

	Long-term debt \$
December 31, 2021	\$ 833,124
Amortization of deferred financing costs	9,244
Principal repayments on private loan	(169,278)
Amortization of fair market value gain on promissory note	5,125
Accrued interest on Promissory note	27,734
Fair market value gain on Government grant on loan	(3,985)
Amortization of Government grant on loan	3,985
December 31, 2022	\$ 705,950
Amortization of deferred financing costs	1,710
Principal repayments on private loan	(45,574)
Amortization of fair market value gain on promissory note	1,455
Accrued interest on Promissory note	7,274
Amortization of Government grant on loan	1,061
March 31, 2023	\$ 671,876

8. Share capital

There were no transactions in share capital during the three months ended March 31, 2023 and during the year ended December 31, 2022.

Warrants

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. The company closed a private placement in March 2021 which issued units which comprise of one (1) common share and one share purchase warrant exercisable at \$1.50, at a price of \$0.75 per unit. No value was allocated to the warrants under the residual value method.

A summary of the status of the Company's warrants as at March 31, 2022 and December 31, 2021 and changes during the years then ended is as follows:

	March 31, 2023		December 31, 2022	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	148,000	\$ 1.50	4,397,218	\$ 1.50
Warrants issued	-	-	(4,249,218)	-
Warrants outstanding, end of year	148,000	\$ 1.50	148,000	\$ 1.50

Outstanding warrants as at March 31, 2023 expire on July 9, 2023.

9. Related party payables and transactions

Several key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The following related parties transacted with the Company during the three months ended March 31, 2023 and 2022:

- 12813521 CANADA INC
- 2822477 Ontario Inc.
- rk3 Global Services Incorporated
- The CFO Centre Limited
- Eurofins Experchem Laboratories Inc.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	For the three months ended		Balances outstanding	
	March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
12813521 CANADA INC	\$ -	\$ 24,900	\$ 100,233	\$ 100,233
2822477 Ontario Inc.	-	24,900	149,700	149,700
rk3 Global Services Incorporated	75,000	75,000	487,500	412,500
The CFO Centre Limited	46,800	46,800	274,816	244,865
Eurofins Experchem Laboratories Inc.	-	4,487	59,954	59,954
	\$ 121,800	\$ 176,087	\$ 1,072,203	\$ 967,252

All related party balances are unsecured and are due without interest. The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Management fees

Amounts charged by company 2822477 Ontario Inc., a company controlled by Director Sohil Mana, rk3 Global Services Incorporated, a company control by CEO and Director, Randy Ko, and 12813521 Canada Inc., a company controlled by shareholder, Woo Kim.

(b) Consulting fees

Includes the services of Eurofins Experchem Laboratories, of which Director, Sohil Mana is President. Includes the consulting services of The CFO Centre, in which David Chan, CFO, serves as an independent contractor.

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 remuneration of key management for the three months ended March 31, 2023 and March 31, 2022 are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Management and consulting fees	\$ 121,800	\$ 171,600
	\$ 121,800	\$ 171,600

10. Cost of sales

The Company's cost of sales for the year ended March 31, 2023 and March 31, 2022 is as follows:

	For the three months ended,	
	March 31, 2023	March 31, 2022
Cost sharing agreements	\$ 65,461	\$ 69,055
Converted inventory	40,951	84,604
Direct materials and services	74,508	25,358
Total	\$ 180,920	\$ 179,017

11. Loss per share

The calculation of basic loss per share for the three months ended March 31, 2023 was based on the loss attributable to common shareholders of \$276,515 (2022 - \$242,375), and a weighted average number of common shares outstanding of 24,129,323 (March 31, 2022 – 24,129,323).

All options and warrants outstanding as at March 31, 2023 and 2022, were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. Capital management, financial instruments and financial risk**Capital management**

The Company defines capital as the aggregate of its shareholders' equity and debt. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility and will make adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

Financial instruments - fair value

The Company's financial instruments consist of cash, trade receivables, accounts payable and accrued liabilities, and debt which are all carried at amortized cost.

The carrying value of cash, trade receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Debt value approximates its fair value due to the market rates of interest charged.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk.

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is also exposed to credit risk by holding cash in financial institutions. This risk is minimized by holding the funds in Canadian banks. The maximum exposure to credit risk at year end March 31, 2023, is limited to the accounts receivable balance. In assessing the valuation of accounts receivable, the Company evaluates expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded or reversed.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. Considering the available liquidity as at March 31, 2023, the expected burn rates from operations and future commitments, the Company's exposure to liquidity risk as at March 31, 2023 is considered high. The Company expects to address this risk by raising funds through external financing as needed until revenues are sufficient to cover the operating requirements of the business.

The undiscounted cash flow requirements for financial liabilities as at March 31, 2023 are as follows:

	Carrying value	Total	Less than 1 year	1-3 years
Accounts payable	\$ 1,757,085	\$ 1,757,085	\$ 1,757,085	\$ -
Accounts payable to related party	1,072,203	1,072,203	1,072,203	-
Government grant	36,559	40,000	40,000	0
Promissory note	300,822	313,565	313,565	-
Long term debt	334,495	341,201	196,525	144,676
Interest on long-term debt	-	-	30,368	6,586
Total	\$ 3,501,164	\$ 3,524,054	\$ 3,409,746	\$ 151,262

13. Contingencies

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have material effect on the financial condition or future results of operations. The Company has accrued any likely settlement and legal expense amounts as of March 31, 2023.

14. Events after the reporting period

On June 12, 2023, the Company closed a private placement financing of \$900,000 consisting of 30,000,000 units at \$0.03 per unit. Each unit was comprised of one (1) common share and one-sixth of one (1/6) common share purchase warrant. Each warrant is exercisable to acquire one (1) common share at a price of \$0.05 per share for a period of 12 months. The warrants contain an acceleration clause whereby if the Company's common shares trade on a Canadian stock exchange at a volume weighted average price of \$0.10 or more for 10 consecutive trading days, the Company will have the right to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the warrants. The shares were issued on June 19, 2023.