Hempsana Holdings Ltd.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2023
(Unaudited)
(Expressed in Canadian Dollars)

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

	Notes	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Current assets			
Cash		**$ 121,960**	$ 90,624
Trade and other receivables		**410,834**	251,144
Inventory	3	**204,163**	130,640
Prepaids, deposits and other receivables	4	**151,713**	59,606
Total current assets		**888,670**	532,014
Non-current assets			
Intangible assets	5	**-**	5,543
Property, plant and equipment	6	**3,482,932**	3,256,316
Total non-current assets		**3,482,932**	3,261,859
Total assets		**$ 4,371,602**	$ 3,793,873
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 2,191,833**	$ 1,539,397
Accounts payable to related parties	9	**1,030,465**	967,252
Government loan	7	**38,814**	35,498
Current portion of private loan	7	**208,615**	190,745
Total current liabilities		**3,469,727**	3,024,986
Non-current liabilities			
Promissory notes	7	**350,000**	-
Long-term portion of debt	7	**32,199**	187,613
Total non-current liabilities		**382,199**	187,613
Total liabilities		**$ 3,851,926**	$ 3,212,599
Shareholders' equity			
Share capital	8	**9,517,973**	8,367,973
Other reserves	8	**621,892**	621,892
Deficit		**(9,620,189)**	(8,408,591)
Total shareholders' equity		**519,676**	581,274
Total liabilities and equity		**$ 4,371,602**	$ 3,793,873
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors:

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

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
(Unaudited)
(Expressed in Canadian dollars)

	Notes	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
Revenue					
Sale of goods		**$ 155,669**	$ 212,301	**$ 879,235**	$ 655,043
Manufacturing services		**-**	39,330	**124,019**	$ 225,803
Total revenue		**155,669**	251,631	**1,003,254**	880,846
Excise taxes		**5,000**	-	**20,132**	-
Net revenue		**150,669**	251,631	**983,122**	880,846
Cost of sales	10	**158,281**	182,133	**656,241**	651,817
Gross (Loss)/Profit		**(7,612)**	**69,498**	**326,881**	229,029
Expenses					
Management fees	9	**18,334**	108,733	**197,917**	346,091
Consulting fees	9	**109,015**	58,185	**283,309**	186,321
Wages		**76,750**	79,434	**258,691**	229,632
Depreciation and amortization	5 & 6	**72,588**	64,265	**196,085**	158,028
Insurance		**53,855**	75,480	**128,536**	114,860
Legal and professional fees		**56,784**	15,946	**119,071**	90,144
Office expenses		**26,979**	25,494	**70,064**	89,108
Other operating expenses		**37,431**	8,769	**102,251**	43,601
Investor relations and marketing		**15,574**	1,518	**32,389**	13,835
Other selling, general and administrative expenses		**17,958**	7,004	**46,942**	20,852
Share-based payments		**-**	30,768	**-**	68,384
Facility supplies		**7,460**	44,384	**26,615**	17,547
Auto expenses		**2,368**	5,086	**12,887**	15,241
License fees		**5,962**	32,274	**28,324**	49,496
Total expenses		**501,058**	557,340	**1,503,081**	1,443,140
Net loss from operations		**(508,670)**	(487,842)	**(1,176,200)**	(1,214,111)
Other expenses					
Other income	7	**21,369**	27,459	**21,231**	31,712
Interest expense	7	**(16,891)**	(26,049)	**(56,629)**	(82,605)
Net loss and comprehensive loss		**$ (504,192)**	$ (486,432)	**$ (1,211,598)**	$(1,265,004)
Loss per share					
Weighted average number of common shares outstanding					
Basic and diluted	11	**56,217,235**	24,129,323	**36,188,147**	24,129,323
Basic and diluted loss per share	11	**$ (0.01)**	$ (0.02)	**$ (0.03)**	$ (0.03)

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**
Shares issued	8	30,000,000	900,000	-	-	900,000
Warrants exercised	8	5,000,000	250,000	-	-	250,000
Net loss		-	-	-	(1,211,598)	(1,211,598)
Balance at September 30, 2023		**59,129,323**	**$ 9,517,973**	**$621,892**	**$ (9,620,189)**	**$ 519,676**

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

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

	Notes	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
Operating activities					
Net loss		**$ (457,740)**	$ (486,432)	**$(1,211,598)**	$(1,265,004)
Adjustments for non-cash items:					
Depreciation and amortization	5 & 6	**72,757**	64,266	**176,450**	158,029
Share-based payments		**-**	30,768	**-**	68,384
Interest expense	7	**13,795**	11,921	**57,413**	34,563
Interest paid	7	**(8,347)**	-	**(29,267)**	-
Changes in non-cash working capital items:					
Trade receivables		**26,593**	(33,693)	**(159,690)**	(33,693)
Inventory	3	**(87,098)**	(29,618)	**(53,887)**	(28,126)
Prepaids, deposits and other receivables	4	**(24,647)**	73,404	**(92,107)**	207,584
Accounts payable, accrued liabilities		**(165,801)**	213,074	**652,436**	452,056
Accounts payable to related parties	9	**(252,254)**	180,380	**63,213**	489,594
Net cash flows (used in) from operating activities		**(882,742)**	24,070	**(597,037)**	83,387
Investing activities					
Purchase of property plant and equipment	6	**(9,418)**		**(417,159)**	-
Net cash flows used in investing activities		**(9,418)**	-	**(417,159)**	**-**
Financing activities					
Payments of private loan	7	**(48,377)**	(42,931)	**(140,903)**	(125,044)
Promissory note repaid	7	**(313,565)**	-	**(313,565)**	-
New Promissory notes	7	**350,000**	-	**350,000**	-
Warrants exercised	8	**250,000**	-	**250,000**	-
Share issuance	8	**-**	-	**900,000**	-
Net cash flows from (used in) financing activities		**238,058**	(42,931)	**1,045,532**	**(125,044)**
Net increase (decrease) in cash		**(654,102)**	(18,861)	**31,336**	(41,657)
Cash, beginning of year		**776,062**	23,393	**90,624**	46,189
Cash, end of year		**$ 121,960**	$ 4,532	**$ 121,960**	**$ 4,532**

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 and nine months ended September 30, 2023, the Company incurred a net loss of $504,192 and $1,211,598, respectively, (September 30, 2022 - $486,432 and $1,265,004, respectively). As at September 30, 2023, the Company had a working capital deficit of $2,581,057 (December 31, 2022 –$2,492,972) and an accumulative deficit of $9,620,189 as at September 30, 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 November 29, 2023.

Revenue recognition

The Company earns revenue from the sale of goods and from providing 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 the sale of goods may include the sales of products such as cannabis and hemp derived oils, vapes pens, tinctures, pre-rolls, etc. and the related cost of sales is recognized on delivery of goods to the customer. The sale of goods may also include revenue earned from contract manufacturing services in which the Company acts as the principal in the manufacturing and fulfillment of the end product. Contract manufacturing services or fulfilment 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.

Revenue from manufacturing services include toll processing services. 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. Manufacturing services may also include contract manufacturing services in which the Company acts as an agent for a third party. In those cases, the revenue recognized for contract manufacturing is only the fee earned from the third party.

(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.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

3. Inventory

Inventories consist of the following:

	September 30, 2023	December 31, 2022
Raw material	**$ 25,763**	$ -
Extracted hemp and cannabis oil	**131,264**	120,660
End products	**47,136**	-
Packaging and supplies	**-**	9,980
	$ 204,163	$ 130,640

4. Prepaids, deposits and other receivables

Prepaids, deposits and other receivables consist of the following:

	September 30, 2023	December 31, 2022
Sales tax recoverable	**$ 72,049**	$ 39,430
Prepaids and deposits	**79,664**	20,176
	$ 151,713	$ 59,606

5. Intangible assets

A continuity of the intangible assets balance is provided below:

	Licenses	**Website**	**Intangible assets**
Cost			
December 31, 2021	$ 35,135	$ 8,250	$ 43,385
Write-off	(19,125)	-	(19,125)
December 31, 2022	16,010	8,250	24,260
Accumulated depreciation			
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)
Net book value			
December 31, 2022	$ 2,341	$ 3,202	$ 5,543

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

	Licenses	Website	Intangible assets
Cost			
December 31, 2022	$ 16,010	$ 8,250	$ 24,260
September 30, 2023	16,010	8,250	24,260
Accumulated depreciation			
December 31, 2022	(13,669)	(5,048)	(18,717)
Depreciation	(2,341)	(3,202)	(5,543)
September 30, 2023	$ (16,010)	$ (8,250)	$ (24,260)
Net book value			
September 30, 2023	$ -	$ -	$ -

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	$3,900,204
Additions	-	-	417,159	-	417,159
September 30, 2023	70,000	2,352,041	1,675,552	219,770	4,317,363
Accumulated depreciation					
December 31, 2022	-	(267,485)	(275,781)	(100,622)	(643,888)
Depreciation	-	(62,950)	(104,368)	(23,225)	(190,543)
September 30, 2023	-	(330,435)	(380,149)	(123,847)	(834,431)
Net book value					
September 30, 2023	**$ 70,000**	**$2,021,606**	**$1,295,403**	**$ 95,923**	**$3,482,932**

During the three and nine months ended September 30, 2023, the Company recognized $72,588 and $190,543, respectively, of depreciation (September 30, 2022 - $64,265 and $158,028, respectively). Of this amount, $nil and $196,085, respectively, was applied to inventory during the three and nine months ended September 30, 2023 (September 30, 2022 - $nil and $32,649, respectively).

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

7. Debt

	September 30, 2023				
	Private loan	Government loan	Promissory notes (previous) (a)	Promissory notes (new) (b)	Total long-term debt
Maturity	November 1, 2024	December 31, 2023	August 25, 2023	December 31, 2024	
Principal outstanding	$ 245,871	$ 40,000	$ -	$ 350,000	**$ 635,871**
Deferred financing costs	(5,057)	(1,186)	-	-	**(6,243)**
Total	240,814	38,814	-	350,000	**629,628**
Less: Current portion	**208,615**	**38,814**	**-**	**-**	**247,429**
Non-current portion	**$ 32,199**	**$ -**	**$ -**	**$ 350,000**	**$ 382,199**

(a) On August 25, 2023, the Company repaid its existing Promissory note in full.
(b) During August 2023, the Company entered into two Promissory note agreements totaling $350,000 in principal value.

	December 31, 2022			
	Private loan	Government loan	Promissory note	Total long-term debt
Maturity	November 1, 2024	December 31, 2023	August 25, 2023	
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 September 30, 2023, the principal value of the private loan was $245,871 (December 31, 2022 -$386,774) and the fair value of the private loan was $240,814 (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

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

Promissory note early without penalty and it is secured by a second mortgage on the Company' land and building. On August 25, 2023, the total principal and accumulated interest owing on the Promissory note of $313,565 was fully repaid.

On August 24 2023, the Company entered into a Promissory note agreement with a principal value of $250,000. The note bears interest at 1.0% per month, accrued from the date of the initial advance until repayment in full on the maturity date of December 31, 2024. The note is secured by a general security agreement.

On September 26, 2023, the Company entered into a Promissory note agreement with a principal value of $100,000. The note bears interest at 1.0% per month, accrued from the date of the initial advance until repayment in full on the maturity date of December 31, 2024. The note is secured by a general security agreement.

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 September 30, 2023 (December 31, 2021 - $40,000), and the fair value of the government loan was $38,814 (December 31, 2021 - $35,498).

Payments:	
Within one year	$ 248,615
1 – 3 years	382,154
	$ 630,769

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	**4,908**
Principal repayments on private loan	**(140,903)**
Amortization of fair market value gain on Promissory note	**4,368**
Accrued interest on Promissory note	**15,555**
Repayment of Promissory note	**(313,565)**
New Promissory notes issued	**350,000**
Amortization of Government grant on loan	**3,316**
September 30, 2023	**$ 629,628**

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

8. Share capital

Transactions for the issuance of share capital during the nine months ended September 30, 2023 and the year ended December 31, 2022 are shown as follows:

	Common shares #	Per share $	Amount $
December 31, 2021	24,129,323		8,367,973
December 31, 2022	24,129,323		8,367,973
Issuance June 19	30,000,000	$ 0.03	900,000
Warrants exercised August 23	5,000,000	$ 0.05	250,000
September 30, 2023	**59,129,323**		**9,517,973**

In June 2023, the Company successfully closed a private placement for gross proceeds of $900,000. In connection with the private placement, the Company issued 30,000,000 units comprised of one common share of the Company and one-sixth purchase warrant, for a total of 5,000,000 warrants. Each purchase warrant entitled its holder to acquire one common share of the Company at an exercise price of $0.05 any time up to 12 months from the issuance date. In August 2023, the 5,000,000 warrants were exercised and 5,000,000 common shares were issued for gross proceeds of $250,000. The Company intends to use the net proceeds for the purchase of equipment and for general operational and working capital purposes.

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 June 2023 which issued units which comprise of one (1) common share and one-sixth share purchase warrant exercisable at a price of $0.05 per unit. In August 2023, the 5,000,000 warrants were exercised and 5,000,000 common shares were issued. No value was allocated to the warrants under the residual value method.

A summary of the status of the Company's warrants as at September 30, 2023 and December 31, 2022 and changes during the periods then ended is as follows:

	Warrants #	Weighted average exercise price $
December 31, 2021	4,397,218	$ 1.50
Expired	(4,249,218)	
December 31, 2022	**148,000**	**$ 1.50**
Expired	**(148,000)**	**$ 0.05**
Issued	**5,000,000**	
Exercised	**(5,000,000)**	
September 30, 2023	**-**	

On July 9, 2023, 148,000 warrants expired.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

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 and nine months ended September 30, 2023 and 2022:

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

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		**For the nine months ended**		**Balances outstanding**	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022	**September 30, 2023**	December 31, 2022
12813521 CANADA INC	**$ -**	$ 24,900	**$ -**	$ 49,800	**$ 100,233**	$100,233
2822477 Ontario Inc.	**-**	24,900	**-**	49,800	**149,700**	149,700
rk3 Global Services Incorporated	**43,333**	75,000	**172,917**	150,000	**541,667**	412,500
The CFO Centre Limited	**16,000**	46,800	**111,500**	93,600	**238,865**	244,865
	$ 59,333	$ 171,600	**$ 284,417**	$ 343,200	**$ 1,030,465**	$967,252

All related party balances, except for the previously discussed Promissory note, are unsecured and are non-interest bearing. 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. Sohil Mana ceased being a related party upon his resignation as a Director on August 26, 2022. Woo Kim ceased being a related party on July 31, 2023 when he ceased his role as part of the management team.

(b) Consulting fees:
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 and nine months ended September 30, 2023 and September 30, 2022 are as follows:

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

	For the three months ended		For the nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Management and consulting fees	**$ 59,333**	$ 121,800	**$ 284,417**	$ 243,600
Share-based payments	**-**	17,740	**-**	17,740
	$ 59,333	$ 139,540	**$ 284,417**	$ 261,340

10. Cost of sales

The Company's cost of sales for the three and nine months ended September 30, 2023 and September 30, 2022 is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Cost sharing agreement	**$ 78,061**	$ 147,114	**$ 326,733**	$ 349,219
Converted inventory	**(64,774)**	74,968	**13,966**	193,039
Direct materials and services	**144,994**	(39,949)	**315,542**	109,559
Total	**$ 158,281**	$ 182,133	**$ 656,241**	$ 651,817

11. Loss per share

The calculation of basic loss per share for the three and nine months ended September 30, 2023 was based on the loss attributable to common shareholders of $504,192 and $1,211,598, respectively (September 30, 2022 - $486,432 and $1,265,004 , respectively), and a weighted average number of common shares outstanding of 56,217,235 and 36,188,147, respectively (September 30, 2022 – 24,129,323 and 24,129,323, respectively).

All options and warrants outstanding as at September 30, 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 and nine months ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

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. The carrying value of the Promissory notes 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 September 30, 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 September 30, 2023, the expected burn rates from operations and future commitments, the Company's exposure to liquidity risk as at September 30, 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 September 30, 2023 are as follows:

	Carrying value	Total	Less than 1 year	1-3 years
Accounts payable	$ 2,191,833	$ 2,191,833	$ 2,191,833	$ -
Accounts payable to related party	1,030,465	1,030,465	1,030,465	-
Government grant	38,814	40,000	40,000	-
Promissory note	350,000	350,000	-	350,000
Long term debt	240,814	240,814	208,615	32,199
Interest on long-term debt	-	-	18,278	560
Total	$ 3,851,926	$ 3,853,112	$ 3,489,191	$ 382,759

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 September 30, 2023.