HYTN INNOVATIONS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2023

(UNAUDITED)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of HYTN Innovations Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the nine months ended June 30, 2023, have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars unless otherwise stated.

HYTN Innovations Inc.
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2023 and September 30, 2022
In Canadian Dollars, unless noted (unaudited)

As at	Notes	June 30, 2023	September 30, 2022
		$	$
ASSETS			
Current Assets			
Cash		79,110	1,026,355
Accounts receivable		141,834	72,721
Prepaid expenses		6,872	9,460
Inventory	4	356,229	375,173
Total current assets		584,045	1,483,709
Non-current Assets			
Property, plant and equipment	5	1,669,770	2,215,394
Deposits	9	93,290	87,290
Total non-current assets		1,763,060	2,302,684
TOTAL ASSETS		**2,347,105**	**3,786,393**
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		878,879	626,182
Loans payable	8	101,467	64,398
Lease liability - current	6	89,659	97,515
Total current liabilities		**1,070,005**	**788,095**
Non-current Liabilities			
Lease liability - non-current	6	725,560	725,304
Decommissioning provision	7	191,000	199,025
Total non-current liabilities		916,560	924,329
TOTAL LIABILITIES		**1,986,565**	**1,712,424**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	13,128,431	13,128,431
Warrant reserve		2,776	2,776
Stock-based payment reserve		850,214	726,432
Equity contribution to subsidiary		(54,655)	(54,655)
Deficit		(13,566,226)	(11,729,015)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**360,540**	**2,073,969**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**2,347,105**	**3,786,393**

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

Going concern (Note 2)
Contingent liabilities (Note 15)

Approved on behalf of the Board of Directors:

"Elliot McKerr", Director   *"Eli Dusenbury",* Director

HYTN Innovations Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended June 30, 2023 and 2022
In Canadian Dollars, unless noted (unaudited)

For the Three and Nine Months Ended June 30,	Three Months Ended 2023	Three Months Ended 2022	Nine Months Ended 2023	Nine Months Ended 2022
	$	$	$	$
Revenues (Note 11)	225,574	133,220	630,339	601,262
Cost of Sales	132,926	110,765	434,834	455,145
GROSS PROFIT	**92,648**	**22,455**	**195,505**	**146,117**
EXPENSES				
Advertising and marketing	3,368	68,394	102,174	154,497
Consulting expense	22,500	163,936	76,267	251,033
Depreciation (Note 5)	171,892	54,404	523,071	162,723
Office and miscellaneous	88,820	137,577	297,599	298,676
Professional fees	12,982	164,120	122,850	327,122
Salaries and payroll (Note 12)	193,155	169,103	688,764	507,309
Stock based compensation (Notes 10,12)	2,529	321,145	123,782	749,091
Transfer agent and filing fees	13,949	32,218	18,171	43,215
Travel	-	5,677	413	22,251
OPERATING EXPENSES	**509,195**	**1,116,574**	**1,953,091**	**2,515,917**
TOTAL OPERATING LOSS	**(416,547)**	**(1,094,119)**	**(1,757,586)**	**(2,369,800)**
Change in decommissioning provision (Note 7)	-	-	14,025	-
Interest / accretion expense (Notes 6,7,8)	(30,459)	(21,978)	(93,650)	(71,666)
Gain on debt settlement	-	-	-	509,278
Listing expense	-	-	-	(2,888,732)
Transaction cost	-	-	-	(4,759,824)
	(30,459)	(21,978)	(79,625)	(7,210,944)
NET LOSS AND COMPREHENSIVE LOSS	**(447,006)**	**(1,116,097)**	**(1,837,211)**	**(9,580,744)**
Loss per share, basic and diluted	(0.01)	(0.02)	(0.03)	(0.25)
Weighted average number of common shares outstanding – Basic and diluted	62,259,837	62,259,837	62,259,837	38,296,844

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

HYTN Innovations Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

As at June 30, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

	Common Shares	Share Capital	Warrant reserve	Stock-based payment reserve	Equity contribution to subsidiary	Deficit	Total Equity
	Number	$	$	$	$	$	$
Balance, September 30, 2021	**15,532,000**	**1,446,471**	**-**	**-**	**-**	**(1,455,350)**	**(8,879)**
Corporate transactions	41,635,055	10,408,764	2,766	-	-	-	10,411,530
Shares issued - settlement of indebtedness	5,092,782	1,273,196	-	-	-	-	1,273,196
Equity contribution to HYTN Cannabis	-	-	-	-	(54,655)	-	(54,655)
Elimination of HYTN shares upon RTO	(15,532,000)	-	-	-	-	-	-
Shares issued to HYTN shareholders upon RTO	15,532,000	-	-	-	-	-	-
Stock based compensation	-	-	-	749,091	-		749,091
Loss for the year	-	-	-	-	-	(9,580,744)	(9,580,744)
Balance, June 30, 2022	**62,259,837**	**13,128,431**	**2,766**	**749,091**	**(54,655)**	**(11,036,094)**	**2,789,539**
Balance, September 30, 2022	**62,259,837**	**13,128,431**	**2,776**	**726,432**	**(54,655)**	**(11,729,015)**	**2,073,969**
Stock-based compensation (Note 10)	-	-	-	123,782	-	-	123,782
Loss for the year	-	-	-	-		(1,837,211)	(1,837,211)
Balance, June 30, 2023	**62,259,837**	**13,128,431**	**2,776**	**850,214**	**(54,655)**	**(13,566,226)**	**360,540**

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

HYTN Innovations Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Nine Months Ended June 30, 2023 and 2022
In Canadian Dollars, unless noted (unaudited)

For the Nine Months Ended June 30,		**2023**	**2022**
		$	**$**
OPERATING ACTIVITIES			
Net loss for the period		**(1,837,211)**	**(9,580,744)**
Items not affecting cash			
Depreciation	**5**	562,427	175,086
Stock-based compensation	**10**	123,782	749,091
Change in decommissioning provision	**7**	(14,025)	-
Interest / accretion expense	**6,7,8**	93,650	71,666
Gain on debt settlement		-	(509,278)
Listing expense		-	2,888,732
Transaction cost		-	4,759,824
Net changes in non-cash working capital items:			
Accounts receivable		(69,113)	(151,078)
Prepaid expenses		2,588	14,623
Inventory		18,944	(252,145)
Loan receivable		-	38,785
Accounts payable and accrued liabilities		271,560	(7,078)
Cash used in operating activities		**(847,398)**	**(1,802,516)**
INVESTING ACTIVITIES			
Cash acquired through acquisition - HYTN Cannabis		-	7,739
Cash acquired through amalgamation - NumberCo		-	2,400,171
Cash acquired through reverse takeover - HYTN Innovation		-	217
Cash paid for acquisition - HYTN Cannabis		-	(100)
Funds to HYTYN Cannabis prior to acquisition		-	(26,505)
Purchase of property, plant and equipment	**5**	-	(118,326)
Cash provided by (used) in investing activities		**-**	**2,263,196**
FINANCING ACTIVITIES			
Repayment of lease liability	**6**	(99,847)	(85,223)
Net change in pre-acquisition loan payable to acquiree		-	856,746
Cash provided by financing activities		**(99,847)**	**771,523**
Net change in cash		(947,245)	1,232,203
Cash, beginning of period		1,026,355	264,062
Cash, end of period		**79,110**	**1,496,265**

No cash interest or income taxes paid during the nine months ended June 30, 2023 and 2022. Cash includes $5,000 (2022 - $Nil) in restricted cash.

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

1. NATURE OF OPERATIONS

HYTN Innovations Inc. (formerly Mount Dakota Energy Corp.) (the “Company” or “HYTN Innovations”) was incorporated under the laws of British Columbia on October 22, 1990. The Company’s registered office is 12 East 4th Avenue, Vancouver, British Columbia.

On February 17, 2022, the Company completed the Securities Exchange Agreement (the “SEA”) with HYTN Beverage Corp. (“HYTN”), pursuant to which the Company purchased all of the outstanding securities of HYTN in exchange for common shares and common share purchase warrants of the Company issued on a one-for-one basis to the former security holders of HYTN (the “Reverse Take-Over” or “RTO”). The transaction was accounted for as a reverse acquisition, with HYTN identified as the accounting acquirer. Consequently, the comparative figures reported are those of HYTN.

In addition, the Company entered into an amalgamation agreement (the “Amalgamation Agreement”) with 1306562 B.C. Ltd. (“Numberco”) and MMO Merger Holdings Inc., a wholly-owned subsidiary of the Company (“Subco”), pursuant to which Numberco and Subco amalgamated on February 17, 2022 under the Business Corporations Act (British Columbia) with the resulting entity (“Amalco”) continuing as a wholly-owned subsidiary of the Company (the “Amalgamation”, and together with the Reverse Take-Over, the “Corporate Transactions”).

The Corporate Transactions constituted a change of business for the Company, with the Company carrying on with the development and launch of HYTN’s sparkling tetrahydrocannabinol and cannabidiol beverage business.

On February 22, 2022, the Company changed its name from Mount Dakota Energy Corp. to HYTN Innovations Inc. and listed its Common Shares on the Canadian Securities Exchange (the “CSE”) under the symbol “HYTN”.

These condensed consolidated interim financial statements (the “financial statements”) were approved by the Board of Directors on August 29, 2023.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. As of June 30, 2023, the Company had not yet achieved profitable operations and had a deficit of $13,566,226 (September 30, 2022 - $11,729,015) and a working capital deficit of $485,960 (September 30, 2022 - $695,614 surplus).

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company expects to incur further losses in the development of its business. If for any reason, the Company is unable to continue as a going concern, this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s financial statements and such adjustments could be material. Management is aware of the Company’s reliance on external funding through equity and debt financing, which leads to material uncertainty on the Company’s ability to continue as a going concern.

Conflict in Ukraine
The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

3. BASIS OF PRESENTATION

In these financial statements, unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Company's functional and presentation currency.

a) Accounting policies and estimates

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent 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"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2022.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Notes 3 and 4 of the Company's audited consolidated financial statements for the year ended September 30, 2022. All accounting policies and methods of computation followed in the preparation of these financials statements are consistent with those of the previous year. For comparative purposes, the Company has reclassified certain items on the condensed consolidated interim statements of financial position and the condensed consolidated interim statements of income/loss and comprehensive income/loss along with corresponding statements and notes to conform with the current period's presentation.

b) Basis of consolidation

These financial statements are presented in Canadian dollars ("CAD") and incorporate the financial results of the Company and its controlled subsidiaries:

Entity	Jurisdiction	Functional currency	Ownership %
HYTN Innovations Inc.	Canada	CAD	Parent
HYTN Beverage Corp	Canada	CAD	100%
HYTN Cannabis Inc.	Canada	CAD	100%
1306562 B.C. Ltd.	Canada	CAD	100%

Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

c) Foreign currencies

The Company's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

In Canadian Dollars, unless noted (unaudited)

4. INVENTORY

Inventory as at June 30, 2023 and September 30, 2022 consisted of the following:

As at	**June 30, 2023**	**September 30, 2022**
	$	**$**
Raw materials	291,888	318,913
Work in process	6,274	8,148
Finished goods	58,067	48,112
	356,229	**375,173**

5. PROPERTY, PLANT AND EQUIPMENT

At June 30, 2023, the Company's property, plant and equipment are as follows:

	Leasehold Improvements	**Equipment**	**Right-of-Use Assets**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance, September 30, 2021	**924,178**	**552,172**	**797,969**	**2,274,319**
Additions	53,018	169,448	-	222,466
Balance, September 30, 2022	**977,196**	**721,620**	**797,969**	**2,496,785**
Additions	-	-	-	-
Balance, June 30, 2023	**977,196**	**721,620**	**797,969**	**2,496,785**
Accumulated Amortization				
Balance, September 30, 2021	**15,403**	**22,509**	**31,044**	**68,956**
Additions	63,379	95,858	53,198	212,435
Balance, September 30, 2022	**78,782**	**118,367**	**84,242**	**281,391**
Additions	195,438	310,289	39,897	545,624
Balance, June 30, 2023	**274,220**	**428,656**	**124,139**	**827,015**
Net, September 30, 2021	**908,775**	**529,663**	**766,925**	**2,205,363**
Net, September 30, 2022	**898,414**	**603,253**	**713,727**	**2,215,394**
Net, June 30, 2023	**702,976**	**292,964**	**673,830**	**1,669,770**

During the nine months ended June 30, 2023, the Company allocated $22,553 of depreciation expense related to equipment to cost of sales (2022 – $18,544).

6. LEASE LIABILITY

The Company's right-of-use asset relates to its leased warehouse and manufacturing facility. The Company has one lease with monthly payments of $10,490, increasing every year by $1 per square foot over the initial 5 years, with an initial term of 10 years and three options to renew for an additional 5 years. The lease is secured by the Company's tangible assets. The incremental borrowing rate applied to lease liability was 15%.

The Company has elected to apply the practical expedient to not separate the non-lease components from the lease component. Accordingly, the lease payments used to measure the right-of-use asset and lease liability includes both the non-lease and lease components.

In Canadian Dollars, unless noted (unaudited)

	June 30, 2023	September 30, 2022
	$	$
Balance, Opening	**822,819**	**827,710**
Interest/accretion expense	92,247	123,920
Repayments	(99,847)	(128,811)
Balance, Closing	**815,219**	**822,819**
Less: Current portion	(89,659)	(97,515)
Lease liability, long-term	**725,560**	**725,304**

The Company's annual lease payments are as follows:

Years ending	$
September 30, 2023	33,979
September 30, 2024	138,843
September 30, 2025	143,859
September 30, 2026	145,949
September 30, 2027 and thereafter	1,374,351
Total lease payments	**1,836,981**
Remaining present value adjustment to be accreted over the lease term	(1,021,762)
Lease liability balance, June 30, 2023	**815,219**

During the nine months ended June 30, 2023, the Company allocated $11,804 of accretion expense related to the leased warehouse to cost of sales (2022 – $6,983).

7. DECOMMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provision associated with the Company's reclamation efforts for HYTN Innovation's petroleum and natural gas properties:

	$
Balance, September 30, 2022	**199,025**
Accretion expense	6,000
Change in decommissioning provision	(14,025)
Balance, June 30, 2023	**191,000**

The total undiscounted amount of the estimated cash flows required to settled its decommissioning obligations is $168,000 (September 30, 2022 - $168,000), which is estimated to occur in approximately four years.

At June 30, 2023, the estimated net present value of the obligation was calculated using a risk-free interest rate of 3.55% based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 6.30% (September 30, 2022 – 3.44% and 6.90%, respectively).

In Canadian Dollars, unless noted (unaudited)

8. LOANS PAYABLE

At June 30, 2023, the Company had the following loan payable to a third party.

	$
Balance, September 30, 2022	**64,398**
Interest expense	7,069
Additions	30,000
Balance, June 30, 2023	**101,467**

The loan is unsecured, accrues interest at 15% per annum and is due on demand. The loan balance includes accrued interest of $10,549 (September 30, 2022 - $3,480).

9. DEPOSITS

Deposits as at June 30, 2023 and September 30, 2022 consisted of the following:

As at	**June 30, 2023**	**September 30, 2022**
	$	**$**
Reclamation(1)	76,840	76,840
Other	16,450	10,450
	93,290	**87,290**

Notes:
(1) The Company was required to remit deposits to the Alberta Energy Regulator to be used for the reclamation of well sites. Upon successful reclamation and receipt of reclamation certificates in accordance with Alberta's Environmental Protection and Enhancement Act, the Company may apply for release of its deposit funds.

10. SHARE CAPITAL

a) Authorized and Issued Share Capital

The authorized share capital consists of an unlimited number of Class A common voting shares.

Common shares issued and outstanding as at June 30, 2023 is 62,259,837 (September 30, 2022 – 62,259,837). As at June 30, 2023 a total of 5,875,060 common shares are held in escrow.

Shares issued at June 30, 2023 were as follows:

	Description	**Number of Shares**	**Amount ($)**
Balance, September 30, 2021		**15,532,000**	**1,446,471**
February 17, 2022	Acquisition of HYTN Innovations	2,666,136	666,534
February 17, 2022	Amalgamation with NumberCo	38,968,919	9,742,230
February 17, 2022	Settlement of indebtedness	5,092,782	1,273,196
Balance, September 30, 2022 & June 30, 2023		**62,259,837**	**13,128,431**

In Canadian Dollars, unless noted (unaudited)

b) Options

The Company has established an omnibus equity incentive plan (the “Plan”) dated February 17, 2022, contemplating the grant of equity-based incentive awards, in the form of options, restricted share units, preferred shared units (“PSUs”) and deferred share units, to employees, officers, directors and consultants of the Company. The Plan is a 10% rolling plan, pursuant to which share awards may be granted by the Company not exceeding 10% of the issued and outstanding common shares at the time of grant.

A summary of the Company’s options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2021	**-**	**$ -**
Granted	1,990,000	0.35
Balance, September 30, 2022 and June 30, 2023	**1,990,000**	**$0.35**

At June 30, 2023, the following options were outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
1,725,000	1,725,000	$0.35	February 17, 2026
265,000	265,000	$0.35	February 21, 2026
1,990,000	**1,990,000**		

At June 30, 2023, the weighted-average remaining life of the outstanding options was 2.66 years.

During the nine months ended June 30, 2023, the Company recognized $39,258 in stock-based payment expense in connection with the granting and vesting of options (2022 – $291,447).

c) Restricted Share Units

At June 30, 2023, the following restricted share units (“RSU’s”) were outstanding:

	RSUs
Balance, September 30, 2021	**-**
Granted	1,900,000
Balance, September 30, 2022 and June 30, 2023	**1,900,000**

During the year ended September 30, 2022, the Company granted the RSUs, vesting quarterly over one year, with the first tranche vesting on May 17, 2022. Upon vesting, each RSU will be redeemable for one common share of the Company. The fair value of the RSUs was determined based on the Company’s most recent private placement before the Company’s share price was listed at $0.25/share.

During the nine months ended June 30, 2023, the Company recognized $84,524 in stock-based compensation expense related to the granting and vesting of RSUs (2022 – $457,664). As the Company intends to settle the RSUs through equity settlement, a corresponding amount was credited to stock based payment reserve.

In Canadian Dollars, unless noted (unaudited)

d) Share Purchase Warrants

A summary of the Company's warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2021	2,532,000	0.50
Granted – Corporate Transaction	24,984	0.50
Expired	(24,984)	0.50
Balance, September 30, 2022	**2,532,000**	**0.50**
Expired	(2,532,000)	0.50
Balance, June 30, 2023	**-**	**-**

e) Performance Warrants

The Company issued an aggregate of 10,000,000 Performance Warrants to certain members of the management team, with each Performance Warrant exercisable upon vesting to acquire one Common Share at a price of $0.05 per share for a period of five years from the date of issuance.

The Performance Warrants have the following vesting terms:

1) 5,000,000 Performance Warrants shall vest and become exercisable upon the Company achieving aggregate gross revenue of $5,000,000 over any period of 12 consecutive months; and

2) 5,000,000 Performance Warrants shall vest and become exercisable upon the Company achieving aggregate gross revenue of $8,000,000 over any period of 12 consecutive months.

No fair value has been recognized as a result of a probability of nil associated with the progress towards the related performance-based milestones.

f) Performance Share Units ("PSU's")

On July 11, 2022, the Company granted 235,000 PSU's to certain employees and consultants of the Company. The PSU's have various vesting terms based on performance targets being attained. 60,000 of the PSU's had vested during the period ended June 30, 2023 with no fair value recognized for the balance as a result of a probability of nil associated with progress towards the related performance-based milestones.

The remaining balance of 175,000 unvested PSU's expired on May 31, 2023.

In Canadian Dollars, unless noted (unaudited)

g) Resale Restrictions

13,000,000 securities are subject to the following hold periods: 10% of the shares will be released six months after the listing date with the remaining amount to be released in 15% equal tranches every six months thereafter. As at June 30, 2023, 9,750,000 (2022 – 13,000,000) common shares are restricted from resale with the next release on August 22, 2023.

16,865,334 securities are subject to the following hold periods: (i) 25% will be released on the Listing Date; (ii) 25% will be released on the date that is 6 months following the Listing Date; (iii) 25% will be released on the date that is 12 months following the Listing Date; and 25% will be released on the date that is 18 months following the Listing Date. As at June 30, 2023, 4,216,332 (2022 – 12,649,000) common shares are restricted from resale with the next release on August 22, 2023.

2,500,000 securities are subject to a holding period and 100% of the shares will be released twelve months after the listing date. As at June 30, 2023, Nil (2022 – 2,500,000) common shares are restricted from resale.

5,666,766 securities are subject to the following hold periods: (i) 10% will be released on the Listing Date; (ii) 15% will be released on the date that is 6 months following the Listing Date; (iii) 15% will be released on the date that is 12 months following the Listing Date; (iv) 15% will be released on the date that is 18 months following the Listing Date; (v) 15% will be released on the date that is 24 months following the Listing Date; (vi) 15% will be released on the date that is 30 months following the Listing Date; and (vii) 15% will be released on the date that is 36 months following the Listing Date. As at June 30, 2023, 3,400,599 (2022 – 5,100,899) common shares are restricted from resale with the next release on August 22, 2023.

11. REVENUES

The Company generates revenue from the transfer of goods at a point-in-time from the revenue streams below. As a result, the Company has no deferred revenue on the consolidated statements of financial position. During the three and nine months ended June 30, 2023, all of the sales were to wholesalers.

	Three Months Ended		**Nine Months Ended**	
For the Three and Nine Months Ended June 30,	**2023**	**2022**	**2023**	**2022**
			$	**$**
Cannabis – beverage sales	151,251	133,220	440,133	472,324
Cannabis – edible sales	45,203	-	140,164	-
Cannabis – other	29,120	-	50,042	128,938
	225,574	**133,220**	**630,339**	**601,262**

During the nine months ended June 30, 2023, the Company has three (2022 – three) customers who accounted for more than 10% of revenue from continuing operations and in aggregate accounted for approximately 94% (2022 – 95%) of sales.

12. RELATED PARTY TRANSACTIONS

Key management personnel are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

In Canadian Dollars, unless noted (unaudited)

The aggregate value of transactions relating to key management personnel during the nine months ended June 30, 2023 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive	Equity Incentive Amount	Equity Incentive Fair Value*	Transactions Incurred
			$	$
The CEO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	12,565	153,846–Salaries & Payroll 15,814 – Rent included in office and miscellaneous
The COO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	12,565	192,308 – Salaries & Payroll
The CFO pursuant to officer services provided	Options, RSUs	300,000	8,377	67,500 - Consulting
A former Director and Chair of the Company pursuant to director services provided	RSUs	1,000,000	41,902	26,528 - Consulting
A former Director of the Company pursuant to director services provided	RSUs	200,000	8,380	15,917 - Consulting
A Director of the Company pursuant to director services provided	RSUs	200,000	8,380	22,500 - Consulting
Total		**12,500,000**	**92,169**	**478,599**

** The fair value recognized during the period ended June 30, 2023, relates to the vesting of equity incentives previously granted.*

For the nine months ended June 30, 2022, the Company incurred $405,000 in management fees for CEO, COO and CFO services provided included in consulting and salaries and issued nil equity incentives.

As at June 30, 2023, $270,309 (2022 – $102,771) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

13. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions, and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of public or private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There is no change to how capital is managed from the prior year.

14. RISK MANAGEMENT

a) Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

i. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

ii. Credit Risk
Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. The Company's cash is held in large Canadian financial institutions and its accounts receivable relates to third-party sales and GST receivable, which have no history of default so the credit risk is low.

iii. Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations. At June 30, 2023, the Company's working capital deficit is $485,960 (September 30, 2022 - $695,614 surplus) and it does not have any long-term financial liabilities other than lease liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

iv. Market Risk
Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

v. Currency Risk
The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

b) Fair Values

The carrying values of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, deposits, loans payables and lease liabilities approximate their fair values.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company's cash is measured at FVTPL and is level 1.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's financial instruments, other than cash, are measured at amortized cost.

15. CONTINGENT LIABILITIES

On December 1, 2022, a civil claim has been filed against the Company in the Ontario Superior Court of Justice for $52,500, any costs associated with this claim, and any other relief as determined by the Honourable Court deems just. There have been no penalties or sanctions imposed against the Company by a court or regulatory authority relating to the claim and the Company has not entered into any settlement agreements. The Company has assessed that the claims are unfounded and disputes such claims. Therefore, no amount has been accrued for.

16. SUBSEQUENT EVENTS

On August 11, 2023, 60,000 vested PSU's were exercised for 60,000 common shares of the Company.