



1933 INDUSTRIES INC.

Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three Months Ended October 31, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. for the interim periods ended October 31, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, MNP LLP, have not performed a review of these unaudited condensed interim consolidated financial statements.

January 1, 2024

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	October 31, 2023	July 31, 2023
		\$	\$
ASSETS			
Current			
Cash		763,163	1,092,562
Receivables	5	2,387,619	2,231,302
Inventory	6	2,953,499	2,191,403
Biological assets	7	381,118	414,075
Prepaid expenses and deposits	8	411,145	539,131
		6,896,544	6,468,473
Property and equipment	10	12,069,891	11,551,256
Total assets		18,966,435	18,019,729
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12,18	4,256,618	4,017,644
Income tax payable		1,783,440	1,694,210
Current portion of lease liability	13	606,956	551,366
Current portion of note payable	14	41,276	37,565
Convertible debentures	15	4,488,900	4,406,730
		11,177,190	10,707,515
Lease liability	13	13,236,777	12,554,029
Note payable	14	7,534	21,337
Total liabilities		24,421,501	23,282,881
SHAREHOLDERS' DEFICIENCY			
Share capital	16(b)	82,387,033	82,387,033
Reserves	16(c)	10,344,040	10,335,086
Accumulated other comprehensive loss		(410,542)	(594,933)
Deficit		(96,182,909)	(95,820,123)
Equity attributable to shareholders of the Company		(3,862,378)	(3,692,937)
Non-controlling interest		(1,592,688)	(1,570,215)
Total shareholders' deficiency		(5,455,066)	(5,263,152)
Total liabilities and shareholders' deficiency		18,966,435	18,019,729

Nature of operations and going concern (Note 1)
Subsequent events (Note 23)

Approved and authorized for the issue on behalf of the Board of Directors:

/s/ "Brian Farrell"

Director

/s/ "Paul Rosen"

Director

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

1933 INDUSTRIES INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars, except share numbers)

	Note	Three months ended October 31,	
		2023	2022
		\$	\$
Revenues		5,514,387	4,964,851
Cost of sales	6	(1,658,258)	(3,100,454)
Gross profit, excluding fair value adjustments		3,856,129	1,864,397
Change in fair value due to biological transformation		-	(99,085)
Fair value adjustment on sale of biological assets	7	(2,135,789)	(1,236,252)
Gross profit		1,720,340	529,060
Expenses (income)			
Depreciation	10	19,338	140,929
Foreign exchange gain		(440)	(43,687)
Gain on disposal of assets held for sale	9	-	(63,481)
General and administration	5,17,18	375,587	131,009
Interest expense	13,14,15	450,687	431,517
License, taxes, and insurance		852,714	761,650
Management and consulting fees	18	145,162	128,000
Other income		(19,561)	(919,045)
Professional fees		78,853	317,213
Share-based compensation	16,18	8,954	116,913
Wages and benefits		203,435	186,434
		2,114,729	1,187,452
Loss before income taxes		(394,389)	(658,392)
Current income tax expense		-	(508,459)
Net loss for the period		(394,389)	(1,166,851)
Foreign currency translation adjustment		193,521	741,946
Comprehensive loss for the period		(200,868)	(424,905)
Net loss attributable to:			
Shareholders of the Company		(362,786)	(1,064,082)
Non-controlling interest		(31,603)	(102,769)
Comprehensive loss attributable to:			
Shareholders of the Company		(178,395)	(345,864)
Non-controlling interest		(22,473)	(79,041)
Net loss per share			
Basic and diluted		(0.00)	(0.00)
Weighted average number of shares outstanding			
Basic and diluted		461,233,870	451,045,719

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

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended	
	2023	October 31, 2022
	\$	\$
Operating activities		
Net loss for the period	(394,389)	(1,166,851)
Items not affecting cash:		
Change in fair value due to biological transformation	-	99,085
Fair value adjustment on sale of biological assets	2,135,789	1,236,252
Depreciation included in cost of sales	402,184	354,553
Depreciation	19,338	140,929
Gain on disposal of assets held for sale	-	(63,481)
Interest expense	455,263	431,517
Share-based compensation	8,954	116,913
Changes in non-cash working capital:		
Receivables	(156,317)	(696,477)
Inventory	(762,096)	441,041
Biological assets	(2,102,832)	(1,150,300)
Prepaid expenses and deposits	127,986	(123,225)
Accounts payable and accrued liabilities	238,974	(499,700)
Income tax payable	89,230	508,459
Net cash provided by (used in) operating activities	62,084	(371,285)
Investing activities		
Purchase of property and equipment	(321,919)	-
Proceeds from sale of assets held for sale	-	3,134,818
Net cash used in (provided by) investing activities	(321,919)	3,134,818
Financing activities		
Repayment of lease liability	(339,698)	(483,530)
Repayment of note payable	(11,554)	-
Net cash used in financing activities	(351,252)	(483,530)
Effect of exchange rate on changes on cash	281,688	673,200
Change in cash	(329,399)	2,953,203
Cash, beginning of period	1,092,562	363,274
Cash, end of period	763,163	3,316,477

Supplemental disclosure with respect to cash flows (Note 19)

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

1933 INDUSTRIES INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited - Expressed in Canadian dollars, except share numbers)

	Common shares	Share capital	Reserves	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, July 31, 2022	450,699,319	81,855,012	10,157,141	(1,034,349)	(82,456,203)	(998,876)	7,522,725
Shares issued - conversion of convertible debentures \$0.05	917,043	46,868	(1,016)	-	-	-	45,852
Share-based compensation	-	-	116,913	-	-	-	116,913
Foreign currency translation adjustment	-	-	-	718,218	-	23,728	741,946
Net loss for the period	-	-	-	-	(1,064,082)	(102,769)	(1,166,851)
Balance, October 31, 2022	451,616,362	81,901,880	10,273,038	(316,131)	(83,520,285)	(1,077,917)	7,260,585
Shares issued - conversion of convertible debentures \$0.05	9,617,508	485,153	(4,277)	-	-	-	480,876
Share-based compensation	-	-	66,325	-	-	-	66,325
Foreign currency translation adjustment	-	-	-	(278,802)	-	(232)	(279,034)
Net loss for the period	-	-	-	-	(12,299,838)	(492,066)	(12,791,904)
Balance, July 31, 2023	461,233,870	82,387,033	10,335,086	(594,933)	(95,820,123)	(1,570,215)	(5,263,152)
Share-based compensation	-	-	8,954	-	-	-	8,954
Foreign currency translation adjustment	-	-	-	184,391	-	9,130	193,521
Net loss for the period	-	-	-	-	(362,786)	(31,603)	(394,389)
Balance, October 31, 2023	461,233,870	82,387,033	10,344,040	(410,542)	(96,182,909)	(1,592,688)	(5,455,066)

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

1933 INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

1933 Industries Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Alberta and later continued into the Province of British Columbia. The Company is a publicly traded corporation with its registered office located at 300 - 1055 West Hastings Street, Vancouver, British Columbia, Canada. The Company's common shares are listed under the symbol "TGIF" on the Canadian Securities Exchange and under the symbol "TGIF" on the OTCQX.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as (i) a cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused Mfg ("Infused"), a 100% owned subsidiary of the Company, is focused on developing, and manufacturing hemp and cannabidiol ("CBD") infused products and brands for retail sale and use in jurisdictions where permitted.

While some states in the United States ("U.S.") have authorized the use and sale of cannabis, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. The Company assumes certain risks due to conflicting state and federal laws because the Company engages in cannabis related activities in the U.S. The federal law relating to cannabis could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized. The Company may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change.

Given the current illegality of cannabis under U.S. federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the U.S. federal government and are thus prohibited from providing financing to companies engaged in cannabis-related activities. The Company's ability to access public capital markets in the U.S. is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

Going concern

The Company has not yet achieved profitable operations and during the three months ended October 31, 2023 and 2022, the Company incurred a net loss of \$394,389 (2022 - \$1,166,851). As at October 31, 2023, the Company had an accumulated deficit of \$96,182,909 (July 31, 2023 - \$95,820,123) and working deficiency of \$4,280,646 (July 31, 2023 - working capital of \$4,239,042). These factors represent a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements for the three months ended October 31, 2023 and 2022 ("financial statements") have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities.

The Company will re-evaluate the going concern risk at each reporting period and will consider removing the going concern and uncertainty note when the Company can depend on the profitable operations or is confident of obtaining additional debt, equity or other financing to fund ongoing operations until profitability is achieved. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to obtain additional capital in the future and the Company's ability to continue as a going concern be impaired, material adjustments may be necessary to these financial statements.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. As such, these financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended July 31, 2023 and 2022 ("Annual Financial Statements").

These financial statements were approved by the Board of Directors and authorized for issue on January 1, 2024.

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PREPARATION (continued)**b) Basis of measurement**

These financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and warrant liability measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. References to "CAD" are to Canadian dollars and "USD" or "USD\$" are to United States dollars.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

A summary of the Company's subsidiaries included in these financial statements as at October 31, 2023 are as follows:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
1080034 B.C. Ltd.	0034 BC	Canada	100%	CAD	Holding company
1933 Management Services Inc.	FNM	USA	100%	USD	Holding company
1933 Legacy Inc.	Legacy	USA	100%	USD	Holding Company Hemp and CBD -
Infused Mfg LLC	Infused MFG	USA	100%	USD	Infused products
FN Pharmaceuticals LLC	FNP	USA	100%	USD	Holding company Cannabis cultivation
Alternative Medicine Association LLC	AMA	USA	91%	USD	and production
AMA Productions LLC	AMA Pro	USA	100%	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared using accounting policies consistent with those in Note 3 to the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and judgments, in applying accounting policies. Management continually evaluates these estimates and judgments based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The significant estimates and judgments applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 4 to the Annual Financial Statements

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

5. RECEIVABLES

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

	October 31, 2023	July 31, 2023
	\$	\$
Trade receivables	2,360,776	2,226,170
Other	26,843	5,132
	2,387,619	2,231,302

As at October 31, 2023, trade receivables is presented net of lifetime expected credit losses of \$465,417 (July 31, 2023 - \$442,131). During the three months ended October 31, 2023, general and administration included a bad debt expense of \$7,282 (2022 - recovery of \$195,373).

6. INVENTORY

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

	October 31, 2023	July 31, 2023
	\$	\$
Raw materials	289,394	527,084
Harvested cannabis and trim	1,544,707	1,072,963
Cannabis oil and equivalent	161,084	266,583
Finished goods	958,314	324,773
	2,953,499	2,191,403

Inventories expensed to cost of sales during the three months ended October 31, 2023 were \$1,658,258 (2022 - \$3,100,454).

7. BIOLOGICAL ASSETS

A summary of the Company's biological assets is as follows:

	\$
Balance, July 31, 2022	1,311,192
Capitalized production costs	6,266,049
Transfer to inventory upon harvest	(7,236,233)
Effects of movement in foreign exchange	73,067
Balance, July 31, 2023	414,075
Capitalized production costs	1,672,700
Transfer to inventory upon harvest	(1,718,034)
Effects of movement in foreign exchange	12,377
Balance, October 31, 2023	381,118

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at October 31, 2023, the carrying value of biological assets consisted entirely of cannabis plants. On average, the grow cycle is approximately 16 weeks (July 31, 2023 - 16 weeks).

The fair value less costs to sell is estimated using an expected cash flow model which assumes the biological assets will grow to maturity, harvested, converted into finished goods inventory, and sold in the retail cannabis market. The fair value measurements for biological assets have been categorized as Level 3 (as defined in the fair value hierarchy established in Note 21). These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in profit or loss on biological assets in future periods.

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. BIOLOGICAL ASSETS (continued)

The following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, were used by management as part of the model:

- Selling price - calculated as the weighted average selling price for all expected grades and strains of cannabis based on actual selling prices of the fair value of cannabis forms on a per pound basis.
- Yield per plant - represents the number of grams of finished cannabis that are expected to be obtained from each harvested cannabis plant.
- Stage of growth - represents the weighted average number of weeks out of the expected 16-week growing cycle that cannabis plants have reached as of the measurement date.
- Wastage - represents the weighted average percentage of cannabis plants expected to fail to mature to the point of harvest.
- Post-harvest processing costs - calculated as the cost per gram of harvested cannabis to convert into finished dry bulk flower ready to be packaged into finished goods.

A summary of the Company's significant unobservable inputs used in the model to estimate fair value less costs to sell is as follows:

	October 31, 2023	July 31, 2023
Estimated sales price per gram ⁽¹⁾	\$3.47	\$3.08
Weighted average stage of growth	8 weeks	6 weeks
Expected yield per plant	80 grams	92 grams
Wastage	0.29%	0.26%
Post-harvest processing cost per gram ⁽²⁾	\$1.78	\$2.02

(1) Estimated sales price per gram input is translated from USD\$2.50 (July 31, 2023 - USD\$2.33).

(2) Post-harvest processing cost per gram input is translated from USD\$1.28 (July 31, 2023 - USD\$1.53).

Increases in costs required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets.

A summary of the impact of a 10% increase or decrease in each input on the Company's net loss and comprehensive loss is as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Estimated sales price per gram	144,233	193,899
Weighted average stage of growth	27,861	34,390
Expected yield per plant	27,476	43,364
Wastage	(3,105)	(8,212)
Post-harvest processing cost per gram	(74,100)	(191,176)

8. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Prepaid expenses	176,769	316,481
Security deposit	234,376	222,650
	411,145	539,131

1933 INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

9. ASSETS HELD FOR SALE

During the year ended July 31, 2022, the Company had listed a building with a cost of \$3,071,337 (USD\$2,394,991) for sale. Prior to their classification as assets held for sale, the building was reported under construction in progress within property and equipment (Note 10). The assets held for sale are included at the lower of their carrying value and their fair value less cost to sell.

During the year ended July 31, 2023, the fair value was based on a sales agreement dated September 27, 2022 whereby the Company received net proceeds of \$3,134,818 (USD\$2,432,719). As the carrying amount is less than the fair value less cost to sell, the Company has transferred the balance at the carrying value. The sale was completed on September 27, 2022. The Company recorded a gain on disposal of assets held for sale of \$63,481 in profit or loss.

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

10. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

	Land	Construction in progress	Leasehold improvements	Production equipment	Office equipment	Right of use	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, July 31, 2022	3,848	-	903,726	4,080,578	424,668	13,610,173	19,022,993
Additions	-	-	264,052	610,691	-	300,282	1,175,025
Disposals	(3,953)	-	-	(658,850)	-	-	(662,803)
Termination of lease	-	-	-	-	-	(194,519)	(194,519)
Modification of lease	-	-	-	-	-	(329,114)	(329,114)
Effects of movement in foreign exchange	105	-	24,876	112,324	10,394	374,641	522,340
Balance, July 31, 2023	-	-	1,192,654	4,144,743	435,062	13,761,463	19,533,922
Additions	-	-	-	321,919	-	-	321,919
Reclass	-	-	416,685	(416,685)	-	-	-
Effects of movement in foreign exchange	-	-	67,866	479,633	20,435	724,782	1,292,716
Balance, October 31, 2023	-	-	1,677,205	4,529,610	455,497	14,486,245	21,148,557
Accumulated depreciation							
Balance, July 31, 2022	-	-	461,095	2,727,911	296,160	3,366,887	6,852,053
Depreciation	-	-	124,184	704,767	51,637	809,680	1,690,268
Disposal	-	-	-	(556,885)	-	-	(556,885)
Termination of lease	-	-	-	-	-	(171,589)	(171,589)
Effects of movement in foreign exchange	-	-	146,988	445,621	7,968	(431,758)	168,819
Balance, July 31, 2023	-	-	732,267	3,321,414	355,765	3,573,220	7,982,666
Depreciation	-	-	33,119	194,840	12,399	181,164	421,522
Effects of movement in foreign exchange	-	-	26,068	440,143	18,043	190,224	674,478
Balance, October 31, 2023	-	-	791,454	3,956,397	386,207	3,944,608	9,078,666
Carrying amount							
Balance, July 31, 2023	-	-	460,387	823,329	79,297	10,188,243	11,551,256
Balance, October 31, 2023	-	-	885,751	573,213	69,290	10,541,637	12,069,891

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

10. PROPERTY AND EQUIPMENT (continued)**During the three months ended October 31, 2023:**

The Company included in production equipment \$416,685 which included \$nil depreciation and reclassified as leasehold improvements.

Total depreciation expense was \$421,522 (2022 - \$439,527). Of the total depreciation expense, \$402,184 was allocated to inventory (2022 - \$298,598). As a result of the allocation to inventory, the Company recognized depreciation expense of \$19,338 (2022 - \$140,929) in the profit or loss.

During the year ended July 31, 2023:

The Company amended its lease agreement with an Infused facility lease for reduce facility space and extension of the lease term from December 31, 2023 to December 31, 2024. As a result of the lease reduction in facility space, the Company derecognized right of use asset cost of \$115,276 and accumulated depreciation of \$92,346, and \$32,904 (USD\$24,971) in lease liability resulting in a gain on lease termination of \$9,974. As a result of the lease extension, Company recognized an increase to right of use asset of \$152,205 (USD\$115,508) resulting from the incremental increase in lease liability.

The Company entered into an agreement with the landlord of its AMA manufacturing facility for rent reduction for two years beginning July 1, 2023 and ending May 31, 2025. As a result of the amendments to lease payments, the Company recognized a decrease to right of use asset of \$481,319 (USD\$365,272) resulting from the incremental decrease in lease liability. In consideration for the rent reductions, the Company issued a promissory note which will increase for the difference between the original rent payments and the amended rent reduction payments monthly up to USD\$400,000. Pursuant to the agreement, the promissory note will be forgiven on May 31, 2031 if the Company remains in compliance and in good standing with its lease obligations. In the event the Company defaults the outstanding principal of the promissory note and a penalty of USD\$50,000 will be due on demand. As at July 31, 2023, the Company is in good standings with its lease obligations.

The Company entered into an extension agreement for one of its AMA leases for an additional two years ending January 9, 2025. As a result of the lease extension, the Company recognized an addition in right-of-use of \$300,282 (USD\$225,804) measured on the future minimum lease payments discounted at 10% per annum.

The Company derecognized a right-of-use asset with cost of \$79,243 and accumulated depreciation of \$79,243 relating to Infused facility as the lease expired.

The Company incurred additions to leasehold improvement relating to upgrades and installation of irrigation and plumbing system for AMA manufacturing facility. In addition, the Company incurred additions of \$610,691 (USD\$463,456) to production equipment to improve its cultivation activities, including environmental and sensory control systems.

The Company sold turbines classified as production equipment for \$93,414 (USD\$60,000). As a result of the sale, the Company derecognized the production equipment with a cost of \$658,850 (USD\$500,000) and accumulated depreciation of \$556,885 (USD\$422,619) and recorded the difference between the consideration received and the net carrying value of \$27,198 (USD\$17,381) to loss the on sale of property and equipment in the profit or loss.

Total depreciation expense was \$1,690,268 (2022 - \$1,923,248). Of the total depreciation expense, \$1,395,598 was allocated to inventory (2022 - \$1,423,402). As a result of the allocation to inventory, the Company recognized depreciation expense of \$294,670 (2022 - \$499,846) in the profit or loss.

1933 INDUSTRIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended October 31, 2023 and 2022
(Unaudited - Expressed in Canadian dollars, except where noted)

11. GOODWILL

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

	\$
Balance, July 31, 2022	4,491,721
Impairment	(4,599,734)
Effects of movement in foreign exchange	108,013
Balance, October 31 and July 31, 2023	-

The goodwill balance at July 31, 2022 was related to the acquisition of AMA on June 15, 2017. AMA was considered as a distinct cash generating unit and \$4,350,147 (USD\$3,490,729) of goodwill was allocated to the AMA.

On July 31, 2023, as part of its annual recoverability test, the Company determined that the carrying amount of the AMA cash generating unit exceeded its recoverable amount and that goodwill associated with the acquisition of AMA was impaired. Accordingly, during the year ended July 31, 2023, the Company recognized impairment of \$4,599,734 (USD\$3,490,729).

As at October 31, 2023, the Company does not have goodwill.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Trade payables	3,802,887	3,394,148
Accrued liabilities	262,685	282,000
Payroll liabilities	191,046	341,496
	4,256,618	4,017,644

13. LEASE LIABILITY

A summary of the Company's lease liability is as follows:

	\$
Balance, July 31, 2022	13,106,796
Repayment of lease obligation	(1,669,677)
Interest expense	1,342,625
Addition	303,027
Termination of lease	(32,904)
Modification of lease	(329,114)
Effects of movement in foreign exchange	384,642
Balance, July 31, 2023	13,105,395
Repayment of lease obligation	(339,698)
Interest expense	370,602
Effects of movement in foreign exchange	707,434
Balance, October 31, 2023	13,843,733
Current portion	606,956
Non-current portion	13,236,777

During the year ended July 31, 2023, the Company amended its lease agreement with an Infused facility lease for reduced facility space and extension of the lease term from December 31, 2023 to December 31, 2024. As a result of lease reduction in facility space, the Company derecognized \$32,904 (USD\$24,971) in lease liability. As a result of the lease extension, the Company recognized an incremental increase of \$152,205 (USD\$115,508) in modification of lease.

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

13. LEASE LIABILITY (continued)

The Company entered into an agreement with the landlord of its AMA manufacturing facility for rent reduction for two years beginning July 1, 2023 and ending May 31, 2025. As a result of the amendments to lease payments, the Company recognized a decrease to right of use asset of \$481,319 (USD\$365,272) resulting from the incremental decrease in lease liability. In consideration for the rent reductions, the Company issued a promissory note which will increase for the difference between the original rent payments and the amended rent reduction payments monthly up to USD\$400,000. Pursuant to the agreement, the promissory note will be forgiven on May 31, 2031 if the Company remains in compliance and in good standing with its lease obligations. In the event the Company defaults the outstanding principal of the promissory note and a penalty of USD\$50,000 will be due on demand. As at October 31, 2023, the Company is in good standings with its lease obligations.

During the year ended July 31, 2023, the Company entered into an extension agreement for one of its AMA leases for an additional two years ending January 9, 2025. As a result of the lease extension, the Company recognized an addition to lease liability of \$303,027 (USD\$225,804) measured on the future minimum lease payments discounted at 10% per annum.

Included in general and administration expense relating to short-term leases and low-value leases for the three months ended October 31, 2023 is \$26,487 (2022 - \$nil).

A summary of the Company's future minimum lease payments related to the leases under is as follows:

	October 31, 2023
	\$
2024	1,420,236
2025	2,006,768
2026	1,552,008
2027	1,582,512
Thereafter	26,894,415
Total future minimum lease payments	33,455,939
Effects of discounting	(19,612,206)
Total present value of minimum lease payments	13,843,733

14. NOTE PAYABLE

A summary of the Company's note payable is as follows:

	\$
Balance, July 31, 2022	-
Interest expense	4,905
Addition	72,754
Installment payments	(18,928)
Effects of movement in foreign exchange	171
Balance, July 31, 2023	58,902
Interest expense	2,491
Installment payments	(11,554)
Effects of movement in foreign exchange	(1,029)
Balance, October 31, 2023	48,810
Current portion	41,276
Non-current portion	7,534

During the year ended July 31, 2023, the Company purchased a production equipment for its AMA manufacturing facility. The production equipment cost \$137,968 (USD\$104,704) of which was partially paid with a non-refundable deposit of \$65,214 (USD\$49,491). The remainder of \$72,754 (USD\$55,213) was financed through monthly installment payments of USD\$2,837 for 23 months at an annual percentage rate of 17.27% and scheduled to mature on February 1, 2025.

During the three months ended October 31, 2023, the Company incurred interest expense of \$2,491 (USD\$1,835) (2022 - \$nil). The repayment of interest was included in the installment payments.

1933 INDUSTRIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
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15. CONVERTIBLE DEBENTURES

A summary of the Company's convertible debentures is as follows:

	\$
Balance, July 31, 2022	4,574,279
Interest expense	359,179
Converted to common shares	(402,000)
Interest paid - shares	(124,728)
Balance, July 31, 2023	4,406,730
Interest expense	82,170
Balance, October 31, 2023	4,488,900

On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to \$0.05 per share being the lowest price at which the Company is permitted to amend the conversion price, the reduction of the price per share for interest payments on the Debentures from \$0.10 to \$0.05 per share, if the Company in its sole discretion elects to pay such interest through the issuance of its common shares, and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023.

During the three months ended October 31, 2023, interest expense was \$82,170 (2022 - \$91,865). The principal and interest balance outstanding as at October 31, 2023 was \$3,260,007 and \$1,228,893, respectively (July 31, 2023 - \$3,260,007 and \$1,146,723, respectively).

16. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series.

b) Issued common shares

As of October 31, 2023, there were 461,233,870 common shares outstanding (July 31, 2023 - 461,233,870).

During the three months ended October 31, 2023, the Company had no share activity.

The Company had the following common share transaction during the year ended July 31, 2022:

- The Company issued 10,534,551 common shares pursuant to the conversion of \$402,000 of convertible debentures and interest payable on the convertible debentures of \$124,728.

c) Reserves

A summary of the Company's reserves activity is as follows:

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
Balance, July 31, 2022	6,247,082	77,534	3,832,525	10,157,141
Share-based compensation	183,238	-	-	183,238
Reclassified to share capital on conversion of convertible debentures	-	(5,293)	-	(5,293)
Balance, July 31, 2023	6,430,320	72,241	3,832,525	10,335,086
Share-based compensation	8,954	-	-	8,954
Balance, October 31, 2023	6,439,274	72,241	3,832,525	10,344,040

1933 INDUSTRIES INC.
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16. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

A summary of the Company's share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise Price
	#	\$
Balance, July 31, 2022	54,041,199	0.15
Expired	(50,341,199)	0.16
Balance, October 31, 2023 and July 31, 2023	3,700,000	0.08

A summary of the Company's share purchase warrants outstanding and exercisable as at October 31, 2023 is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	years
June 13, 2024	3,700,000	0.08	0.62

e) Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

The aggregate number of stock options granted will not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the Plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the Plan will not be lower than the exercise price permitted by the Canadian Securities Exchange, and all stock options granted under the Plan will have a maximum term of five years.

A summary of the Company's stock option activity is as follows:

	Number of options	Weighted average exercise price
	#	\$
Balance, July 31, 2022	12,100,000	0.11
Granted	13,490,000	0.05
Expired	(750,000)	0.35
Cancelled	(300,000)	0.05
Balance, July 31, 2023	24,540,000	0.07
Granted	1,000,000	0.05
Cancelled	(1,750,000)	0.05
Balance, October 31, 2023	23,790,000	0.07

A summary of the Company's stock options outstanding and exercisable as at October 31, 2023 is as follows:

Expiry date	Number of options	Number of exercisable options	Weighted average exercise price	Weighted average remaining life
	#	#	\$	years
November 8, 2025	11,050,000	11,050,000	0.10	2.02
August 24, 2027	11,740,000	8,605,843	0.05	3.82
October 27, 2028	1,000,000	333,333	0.05	4.99

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

	23,790,000	19,989,176	0.07	3.03
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16. SHARE CAPITAL AND RESERVES (continued)

During the three months ended October 31, 2023, the Company cancelled 1,750,000 stock options relating to directors, consultants, and employees. As a result of the cancellation, the Company recognized a share-based compensation recovery of \$3,381 relating to unvested options.

During the three months ended October 31, 2023, the Company granted 1,000,000 stock options to a director with an exercise price of \$0.05, an expiry date of October 27, 2028, which vest evenly over three years. The fair value of these options was estimated at \$5,717 using the Black-Scholes option pricing model with the assumptions disclosed below.

For the three months ended October 31, 2023, the Company recognized a net share-based compensation expense of \$8,954 (2022 - \$116,913).

A summary of the Company's assumption used in the Black-Scholes option pricing model for the stock options granted during the three months ended October 31, 2023 and the year ended July 31, 2023 is as follows:

	October 31, 2023	July 31, 2023
Risk-free interest rate	4.12%	3.27%
Expected life of options	5.00 years	5.00 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Weighted average fair value per option	\$0.05	\$0.02

The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued. The risk-free interest rate was determined from Canadian government zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

f) Agent options

A summary of the Company's agent options activity is as follows:

	Number of options	Weighted average exercise price
	#	\$
Balance, July 31, 2022	3,153,214	0.11
Expired	(3,153,214)	0.11
Balance, October 31 and July 31, 2023	-	-

17. GENERAL AND ADMINISTRATION

A summary of the Company's general and administration for the three months ended October 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Advertising, promotion and selling costs	84,294	154,484
Investor relations	4,946	20,077
Public company admin	12,790	12,356
Office expenses and general administration	252,448	94,073
Utilities	11,787	36,806
Bad debt expense (recovery)	7,282	(195,373)
Travel and entertainment	2,040	8,586
	375,587	131,009

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

18. RELATED PARTY TRANSACTIONS

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

A summary of the Company's related party transactions for the three months ended October 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Directors' fees included in general and administration ⁽¹⁾	14,960	29,422
Management and consulting fees	145,161	98,000
Share-based compensation	6,513	71,193
	166,634	198,615

(1) Included in office expense within general and administration (Note 17).

As at October 31, 2023, \$197,188 (July 31, 2023 - \$99,079) was owed to directors and officers or their related companies in respect of the services rendered and were included in accounts payable and accrued liabilities. These are non-interest bearing and payable on demand.

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

A summary of the significant non-cash transactions and supplemental disclosure for the three months ended October 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Conversion of convertible debentures principal into common shares (Note 15, 16(b)).	-	36,000
Settlement of convertible debentures interest with common shares (Note 15, 16(b)).	-	9,582
Cash received from refund from IRS	-	537,114
Cash received from legal settlement	-	26,601
Cash interest on lease paid	370,602	339,652
Cash interest on note payable paid	2,491	-
Cash income tax paid	-	-

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

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20. SEGMENTED INFORMATION

The Company operates in three segments, referred to as AMA, Infused MFG, and Corporate. AMA is focused on the cultivation and sale of medical and adult use cannabis products, and Infused MFG is focused on the manufacturing of Hemp derived CBD products. The corporate head office is located in Canada while the operations of AMA and Infused MFG are located in the United States. All revenues are earned in the United States. All long-lived assets are located or owned in the United States.

A summary of the Company's net income (loss) by operating segment for the three months ended October 31, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	5,283,382	231,005	-	5,514,387
Gross profit	1,646,023	74,317	-	1,720,340
Operating expenses (income)				
Depreciation and amortization	-	10,842	8,496	19,338
General and administration	194,630	86,892	94,065	375,587
License fees, taxes, and insurance	709,984	7,495	135,235	852,714
Interest, accretion, and other	390,267	(16,935)	493,758	867,090
	1,294,881	88,294	731,554	2,114,729
Net income (loss) before taxes	351,142	(13,977)	(731,554)	(394,389)
Current income tax expense	-	-	-	-
Net income (loss) for the period	351,142	(13,977)	(731,554)	(394,389)

A summary of the Company's operating segment for the three months ended October 31, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenues	4,575,393	389,458	-	4,964,851
Gross margin	268,388	260,672	-	529,060
Operating expenses (income)				
Depreciation and amortization	16,498	70,923	53,508	140,929
General and administration	(112,411)	105,693	137,727	131,009
License fees, taxes, and insurance	659,768	14,961	86,921	761,650
Interest, accretion, and other	337,953	(542,022)	357,933	153,864
	901,808	(350,445)	636,089	1,187,452
Net income (loss) before taxes	(633,420)	611,117	(636,089)	(658,392)
Current income tax expense	(508,459)	-	-	(508,459)
Net income (loss) for the period	(1,141,879)	611,117	(636,089)	(1,166,851)

A summary of the Company's carrying amount of assets and liabilities by operating segment as at October 31, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Property and equipment	11,917,114	4,681	148,096	12,069,891
Total assets	17,979,429	350,539	636,467	18,966,435
Total liabilities	18,826,364	166,176	5,428,961	24,421,501

1933 INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended October 31, 2023 and 2022**

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20. SEGMENTED INFORMATION (continued)

A summary of the Company's carrying amount of assets and liabilities by operating segment as at July 31, 2023 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Property and equipment	11,385,133	14,970	151,153	11,551,256
Total assets	16,897,951	478,727	643,051	18,019,729
Total liabilities	17,812,122	199,328	5,271,431	23,282,881

21. FINANCIAL INSTRUMENT AND RISK MANAGEMENT**a) Fair value of financial assets and liabilities**

IFRS 13 *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company measures warrant liability at fair value which is categorized as Level 2.

The Company measures biological assets at fair value which is categorized as Level 3.

The carrying values of cash, receivables, accounts payable and accrued liabilities, and convertible debentures approximate their respective fair values due to the short-term nature of these instruments. The Company's financial instruments are classified as and measured at amortized cost.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

The types of risk exposure and the way in which such exposures are managed are as follows:

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and receivables. The Company minimizes its credit risk related to cash by placing cash with major financial institutions. The Company regularly reviews the collectability of its receivables. The Company considers the credit risk related to both cash and receivables to be minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's liquidity risk relates primarily to accounts payable and accrued liabilities, lease liability, note payable, as well as convertible debenture. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company endeavors to ensure that there is sufficient capital to meet short term business requirement. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

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21. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

A summary of the Company's undiscounted financial liabilities as at October 31, 2023 is as follows:

	Within 1 year	2 - 5 years	Greater than 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,256,618	-	-	4,256,618
Income tax payable	1,783,440	-	-	1,783,440
Lease liability	1,420,236	5,141,288	26,894,415	33,455,939
Note payable	47,219	11,805	-	59,024
Convertible debentures	4,488,900	-	-	4,488,900
	11,996,413	5,153,093	26,894,415	44,043,921

The Company's cash is deposited in major banks, which is available on demand to fund the Company's operating costs and other financial demands.

d) Foreign exchange risk

The Company's operational activities are conducted in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar relative to the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities that are denominated in U.S. dollars. 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 significant.

A summary of the Company's financial assets and liabilities held in U.S. dollar, expressed in Canadian dollars, is as follows:

	October 31, 2023	July 31, 2023
	\$	\$
Cash	747,945	1,074,208
Receivables	2,363,547	2,231,302
Accounts payable and accrued liabilities	(3,528,940)	(3,356,702)
Income tax payable	(1,783,440)	(1,694,210)
Lease liability	(13,843,733)	(13,105,395)
Note payable	(48,810)	(58,902)
Net financial liabilities	(16,093,431)	(14,909,699)

The effect on net loss and comprehensive loss for the three months ended October 31, 2023 of a 10% change in Canadian dollar against the U.S. dollar on the above-mentioned net financial liabilities of the Company is estimated to have an increase or decrease in foreign exchange gain or loss of \$1,609,343.

e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any cash flow interest rate volatility as its convertible debentures and notes payable are carried at a fixed interest rate throughout their term.

22. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The capital structure of the Company consists of shareholder's deficiency, which was \$5,455,066 as at October 31, 2023 (July 31, 2023 - \$5,263,152), and convertible debentures, which was \$4,488,900 as at October 31, 2023 (July 31, 2023 - \$4,406,730). The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian dollars, except where noted)

22. CAPITAL RISK MANAGEMENT (continued)

To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing. As at October 31, 2023, the Company is not subject to externally imposed capital requirement.

23. SUBSEQUENT EVENTS

Subsequent to the three months ended October 31, 2023, 1,000,000 stock options with an exercise price of \$0.05 were cancelled.

Subsequent to the three months ended October 31, 2023, the convertible debenture holders approved a proposed amendment authorizing the Company to settle the convertible debenture under the following terms:

Approve the extinguishment of the convertible debentures upon maturity, principal debt and exclude interest in arrears, through the issuance of a new 10% unsecured convertible debenture with a two-year maturity, convertible into units at \$0.05 per unit. Each unit comprise of one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company at an exercise price of \$0.05 for a period of five years from the date of issuance of the new debenture.

On November 9, 2023, the Company issued 110,844 common shares pursuant to the conversion of \$4,000 of convertible debentures and interest payable on the convertible debentures of \$1,542.

On November 23, 2023, the Company issued 833,666 common shares pursuant to the conversion of \$30,000 of convertible debentures and interest payable on the convertible debentures of \$11,683.