

KOIOS BEVERAGE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS PERIOD ENDED
AUGUST 31, 2019 AND 2018
(UNAUDITED)**

(Expressed in US Dollars)

**NOTICE OF NO AUDITORS' REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

KOIOS BEVERAGE CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited) (Expressed in US dollars)

As At	August 31, 2019	May 31, 2019
	\$	\$
ASSETS		
Cash	2,557,388	3,007,394
Accounts receivable (Note 3)	37,887	37,142
Inventory (Note 4)	325,497	365,383
Prepaid expenses	185,456	297,956
	3,106,228	3,707,875
NON-CURRENT ASSETS		
Vehicle (Note 5)	15,477	16,426
Total assets	3,121,705	3,724,301
LIABILITIES		
Provision for indemnity (Note 11)	-	23,818
Accounts payable and accrued liabilities (Notes 6 and 10)	99,345	342,885
Short-term loans (Note 7)	140,808	140,203
Due to related parties (Note 9)	72,848	41,378
	313,001	548,284
NON-CURRENT LIABILITIES		
Vehicle loan	14,137	15,403
	327,138	563,687
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	13,077,410	13,037,694
Reserves	943,131	885,423
Accumulated other comprehensive loss	(32,401)	(111,653)
Deficit	(11,193,573)	(10,650,850)
	2,794,567	3,160,614
Total liabilities and shareholders' equity	3,121,705	3,724,301

Approved and authorized for issue by the board of directors on October 30, 2019 and signed on its behalf by:

/s/ Chris Miller

Chris Miller, Director

/s/ Erik LeVang

Erik LeVang, Director

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

KOIOS BEVERAGE CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited) For the three months ended August 31, 2019 and 2018 (Expressed in US dollars)

	Three month period ended	
	August 31,	
	2019	2018
	\$	\$
Revenue	178,520	19,133
Cost of sales	(136,257)	(13,874)
	42,263	5,259
General and administration expenses		
Depreciation	949	-
Corporate development	452,937	118,782
Consulting fees (Note 9)	109,996	115,866
Filing fees and regulatory fees	2,059	2,915
Office	72,600	77,455
Professional fees	35,126	40,990
Rent	8,453	9,132
Share-based payments (Note 8)	57,708	212,411
Freight and shipping	54,352	-
Travel	14,035	7,346
	(765,952)	(584,897)
Other items		
Gain on write off of accounts payable	292,106	-
Foreign exchange loss	(68,877)	(12,603)
Loss for the year	(542,723)	(592,241)
Other comprehensive loss		
Exchange differences related to the presentation currency	79,252	-
Loss and comprehensive loss for the period	(467,471)	(592,241)
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding - basic and diluted	76,771,614	49,990,545

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

KOIOS BEVERAGE CORP.

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

For the three month period ended August 31, 2019 and 2018

(Expressed in US dollars)

	Number of Shares	Share Capital	Accumulated other comprehensive loss	Reserves	Deficit	Total
		\$	\$	\$	\$	\$
Balance, May 31, 2018	49,990,545	7,609,618	-	247,416	(7,575,514)	281,520
Return of share capital	-	(29,250)	-	-	-	(29,250)
Share-based compensation	-	-	-	212,411	-	212,411
Loss for the period	-	-	-	-	(592,241)	(592,241)
Balance, August 31, 2018	49,990,545	7,580,368	-	459,827	(8,167,755)	(127,560)
Balance, May 31, 2019	76,307,170	13,037,694	(111,653)	885,423	(10,650,850)	3,160,614
Shares issued for warrant exercises	650,000	39,716	-	-	-	39,716
Accumulated other comprehensive income	-	-	79,252	-	-	79,252
Share based compensation	-	-	-	57,708	-	57,708
Loss for the period	-	-	-	-	(542,723)	(542,723)
Balance, August 31, 2019	76,957,170	13,077,410	(32,401)	943,131	(11,193,573)	2,794,567

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

KOIOS BEVERAGE CORP.
Condensed Interim Consolidated Statement of Cash Flows
For the three month period ended August 31, 2019 and 2018
Expressed in US Dollars, unless otherwise stated

	2019	2018
Cash flows used in operating activities	\$	\$
Loss for the period	(542,723)	(592,241)
Item not affecting cash:		
Depreciation	949	-
Gain on write off of accounts payable	(292,106)	-
Share-based payments	57,708	212,411
Changes in non-cash working capital items:		
Accounts receivable	(745)	(7,799)
Prepaid expense	112,500	58,157
Inventory	39,886	-
Provision for indemnity	-	814
Accounts payable and accrued liabilities	56,218	(12,075)
Short-term loan	605	(120)
Net cash flows used in operating activities	(567,708)	(340,853)
Cash flows from financing activities		
Shares issued from warrants exercised	39,716	-
Repayment of vehicle loan	(1,266)	-
Return of share capital	-	(29,250)
Due to related parties	-	(7,430)
Net cash flows from financing activities	38,450	(36,680)
Effects of foreign exchange on cash	79,252	-
Net decrease in cash	(450,006)	(377,533)
Cash, beginning of the period	3,007,394	852,436
Cash, ending of the period	2,557,388	474,903

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

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three month period ended August 31, 2019 and 2018
Expressed in US Dollars, unless otherwise stated

1. NATURE AND CONTINUANCE OF OPERATIONS

Koios Beverage Corp. (the “Company”) was incorporated on November 13, 2002, under the *Business Corporations Act (British Columbia)*. On April 13, 2018, the Company completed a transaction with Koios Inc. (formerly Koios, LLC) (“Koios”), a company incorporated under the laws of the State of Colorado, which is in the business of producing, marketing and selling functional beverages. As a result of the transaction, the Company acquired 100% of Koios by issuing 15,000,000 common shares (the “Payment Shares”) to the security holders of Koios (the “Transaction”). Upon the closing of the Transaction, Koios became a wholly owned subsidiary of the Company (Note 12).

The corporate registered and records offices of the Company are located at 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company’s common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “KBEV” and the United States OTC stock market’, under the symbol “KBEVF”.

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended May 31, 2019.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation currency of the Company is the US dollar. Certain comparative figures have been reclassified to conform to the current year’s presentation.

c) Going concern

To date, the Company has incurred losses and further short-term losses are anticipated. The Company’s ability to continue as a going concern and meet its corporate objectives may require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three month period ended August 31, 2019 and 2018
Expressed in US Dollars, unless otherwise stated

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

d) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Koios Inc. (formerly Koios, LLC) (“Koios”), Cannavated Beverage Co. (British Columbia) (“Cannavated BC”) and Cannavated Beverage Corp. (Nevada) (“Cannavated Nevada”). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company’s audited consolidated financial statements for the year ended May 31, 2019, with exception to the new accounting policies adopted by the Company discussed below.

The preparation of condensed interim consolidated financial statements requires that the Company’s management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company’s condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

Changes in accounting standards

Several amendments to existing accounting standards became effective January 1, 2018, and were first adopted by the Company in the three-month period ended August 31, 2019:

IFRS 16, Leases

This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. As the Company does not have any leases, the impact of adopting IFRS 16 will be \$nil.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	August 31 , 2019	May 31, 2019
	\$	\$
GST receivable	22,338	19,545
Accounts receivable	15,549	17,597
	<u>37,887</u>	<u>37,142</u>

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4. INVENTORY

	August 31, 2019	May 31, 2019
	\$	\$
Raw material	32,464	108,987
Work in progress or finished goods	293,033	256,396
	325,497	365,383

5. VEHICLE

	Vehicle	Total
	\$	\$
Cost:		
Balance, May 31, 2019	18,972	18,972
Additions	-	-
Balance, August 31, 2019	18,972	18,972
Accumulated amortization:		
Balance, May 31, 2019	2,546	2,546
Charge for the period	949	949
Balance, August 31, 2019	3,495	3,495
Net book value:		
Balance, May 31, 2019	16,426	16,426
Balance, August 31, 2019	15,477	15,477

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2019	May 31, 2019
	\$	\$
Accounts payable	63,125	299,597
Accrued liabilities	36,220	43,288
	99,345	342,885

7. SHORT TERM LOANS

	August 31, 2019	May 31, 2019
	\$	\$
Loans owed to former related party	14,291	14,046
Loan owed to contracted consultant	126,517	126,157
	140,808	140,203

The loans owned are non-interest-bearing, due on demand and not collateralized.

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8. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share issuances

During the period ended August 31, 2019, the Company issued 650,000 common shares pursuant to warrant exercises for gross proceeds of \$39,716 (C\$52,500).

The Company did not issue any shares during the three month period ended August 31, 2018.

Stock options

The Company grants stock options (“options”) to employees, directors, officers, and consultants of the Company as compensation for services pursuant to its stock option plan (the “Plan”). Options have a maximum expiry period of up to five years from the grant date and are subject to minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan may not exceed 10% of the number of issued and outstanding common shares of the Company at the time of granting of options.

During the period ended August 31, 2019:

On February 20, 2019, the Company granted 1,000,000 stock options with an exercise price of C\$0.30 per common share expiring on February 20, 2021. The options vest 100% on June 20, 2019. The fair value of the stock options was estimated to be \$114,720 (C\$151,703) using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 138%; risk-free rate of 1.77%; and expected dividends of zero. As at August 31, 2019, the number of exercisable options was 1,000,000. During the three-month period ended August 31, 2019, the Company recognized share based compensation was \$22,938 (C \$30,321).

On February 22, 2019, the Company granted 1,500,000 stock options with an exercise price of C\$0.28 per common share expiring on February 21, 2021. The options vest 33% immediately and 33% thereafter every 6 months from the date of grant. The fair value of the stock options was estimated to be \$121,166 (C\$160,227) using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 138%; risk-free rate of 1.78%; and expected dividends of zero. As at August 31, 2019, the number of exercisable options was 843,330. During the three-month period ended August 31, 2019, the Company recognized share based compensation was \$34,770 (C \$45,963).

The following table summarizes stock option activity:

	Number of options	Weighted average price C\$
Balance at May 31, 2018	1,612,500	0.22
Granted	2,800,000	0.30
Exercised	(366,667)	(0.24)
Cancelled	(262,500)	(0.32)
Balance, August 31, 2019 and May 31, 2019	3,783,333	0.27

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8. SHARE CAPITAL (CONTINUED)

Stock options (Continued)

Information regarding stock options outstanding as at August 31, 2019 is as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date	Weighted Average Remaining Life (years)
50,000	25,000	C\$ 0.38	May 15, 2021	1.71
1,100,000	1,100,000	C\$ 0.20	April 30, 2020	0.67
300,000	300,000	C\$ 0.37	November 29, 2020	1.25
1,000,000	1,000,000	C\$ 0.30	February 19, 2021	1.47
1,333,333	843,330	C\$ 0.28	February 21, 2021	1.48
3,783,333	3,268,330			

Share purchase warrants

The following table summarizes warrant activity:

	Number of warrants	Weighted average price C\$
Balance at May 31, 2018	16,776,838	0.08
Issued	16,503,454	0.43
Exercised	(1,638,012)	(0.19)
Balance at May 31, 2019	31,642,280	0.26
Expired	(100,000)	0.10
Exercised	(650,000)	(0.08)
Balance at August 31, 2019	30,892,280	0.26

Information regarding share purchase warrants outstanding at August 31, 2019 is as follows:

Number of warrants outstanding and exercisable	Exercise price C\$	Expiry date	Weighted Average Remaining Life (years)
12,625,000	0.075	April 25, 2020	0.65
2,377,505	0.10	April 25, 2020	0.65
8,858,172	0.50	March 20, 2020	0.55
7,031,603	0.35	October 11, 2021	2.12
30,892,280			0.78

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9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three month period ended August 31, 2019:

	August 31, 2019	August 31, 2018
	\$	\$
Consulting fees paid or accrued to the CEO	27,000	32,750
Advisory and accounting fees paid to a private company jointly controlled by the CFO	11,347	-
Consulting fees paid to the former CFO	-	7,634
Consulting fees paid or accrued to the CFO	11,347	-
Share based compensation paid to directors and officers	11,469	212,411
	61,163	252,795

As at August 31, 2019 \$72,848 (May 31, 2019 – 69,000) is owed to companies owned by directors and officers of the Company. Accounts payable to related parties do not bear interest, are unsecured, and are repayable on demand.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, short term loan, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Goods and Services Tax ("GST") receivable from the Canadian government and receivables from trade customers. The credit risk is considered low.

Currency risk

The Company and its subsidiaries do not have significant financial assets and liabilities denominated in foreign currencies. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its beverage operations, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they would be held in large financial institutions.

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10. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial assets and liabilities

The Company believes that the recorded values of its receivables, due to related parties, short term loan and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

11. PROVISION FOR INDEMNITY

Flow-Through Exploration Expenditures

During the year ended May 31, 2013, the Company raised a total of C\$85,440 in flow-through funds, which the Company committed to use in exploration activities on its active projects. The Company allocated C\$14,240 of the proceeds to the flow through share premium liability and the remaining proceeds of C\$71,200 to share capital. As at May 31, 2014, the Company did not incur eligible exploration expenses which resulted in a penalty and accrued interest totaling approximately C\$32,219. As at August 31, 2019, the amount owed is \$Nil.

12. ACQUISITION OF SUBSIDIARY

On April 13, 2018, the Company completed the Transaction. As consideration for acquiring 100% interest in Koios, the Company issued 15,000,000 common shares to the members of Koios with a fair value of \$2,381,400.

The acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS and therefore the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The details of the consideration paid and the assets and liabilities of Koios assumed is as follows:

Consideration paid:	\$
Fair value of shares issued (15,000,000 at \$0.159 (C\$0.20) per share)	2,381,400
Total consideration paid	2,381,400
Less: Value of net assets acquired	
Cash	9,238
Accounts payable and accrued liabilities	(80,989)
Loan payable	(165,646)
Loan from Super Nova	(93,233)
Net liabilities assumed	(330,630)
Other consideration paid:	
Finders' fees	238,140
Legal fees and professional fees	78,398
Loss on acquisition	3,028,568

The Company granted 1,500,000 common shares of the Company as a finder's fee for a fair value of \$238,140.

In connection with the transaction, the special warrants of the Company were converted into 15,776,838 units for a fair value of \$918,024. Each unit is comprised of one common share and one share purchase warrant.

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Notes to the Condensed Interim Consolidated Financial Statements
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13. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended May 31, 2019. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.