KOIOS BEVERAGE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
MAY 31, 2020 AND 2019

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Koios Beverage Corp.

Opinion

We have audited the consolidated financial statements of Koios Beverage Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss and comprehensive loss of $3,060,692 during the year ended May 31, 2020 and has an accumulated deficit of $13,649,978 as at May 31, 2020. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 28, 2020

KOIOS BEVERAGE CORP.
Consolidated Statements of Financial Position
(Expressed in US dollars)

AS AT	Note	May 31, 2020	May 31, 2019
		$	$
ASSETS			
Cash		**1,176,960**	3,007,394
Accounts receivable	3	**41,461**	37,142
Inventory	4	**159,753**	365,383
Prepaid expenses	5	**-**	297,956
		1,378,174	3,707,875
NON-CURRENT ASSETS			
Equipment, vehicle and right-of-use asset	6	**50,127**	16,426
Total assets		**1,428,301**	3,724,301
LIABILITIES			
Provision for indemnity	13	**23,369**	23,818
Accounts payable and accrued liabilities	7,11	**546,718**	342,885
Short-term loans	8	**125,298**	140,203
Lease liability	9	**21,820**	-
Due to related parties	11	**104,279**	41,378
		821,484	548,284
NON-CURRENT LIABILITIES			
Vehicle loan		**11,421**	15,403
		832,905	563,687
SHAREHOLDERS' EQUITY			
Share capital	10	**13,137,986**	13,037,694
Reserves		**1,219,062**	885,423
Obligation to issue shares		**61,543**	-
Accumulated other comprehensive income		**(173,217)**	(111,653)
Deficit		**(13,649,978)**	(10,650,850)
TOTAL SHAREHOLDERS' EQUITY		**595,396**	3,160,614
Total liabilities and shareholders' equity		**1,428,301**	3,724,301

Subsequent events (Note 16)

Approved and authorized for issue by the board of directors on September 28, 2020 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 consolidated financial statements.

KOIOS BEVERAGE CORP.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended May 31, 2020 and 2019
(Expressed in US dollars)

	Note	**May 31, 2020 $**	May 31, 2019 $
Product revenue		**871,521**	242,440
Cost of sales		**(747,214)**	(216,945)
		124,307	25,495
General and administration expenses			
Corporate development		**609,502**	1,289,085
Marketing		**1,012,393**	104,767
Shipping		**296,467**	62,616
Consulting fees	11	**522,986**	617,111
Amortization	6	**17,422**	2,546
Filing fees and regulatory fees		**28,384**	20,162
Office		**134,728**	368,779
Professional fees		**116,746**	66,759
Rent		**33,006**	30,805
Share-based compensation	10	**395,182**	627,905
Travel		**56,402**	49,364
		(3,223,218)	(3,239,899)
Other items			
Gain on extinguishment of accounts payable		**7,407**	64,520
Foreign exchange gain		**92,376**	23,655
		99,783	88,175
Loss for the year		**(2,999,128)**	(3,126,229)
Other comprehensive loss			
Exchange differences related to presentation currency		(61,564)	(111,653)
Loss and comprehensive loss for the year		**(3,060,692)**	(3,237,882)
Loss per share, basic and diluted		**(0.04)**	(0.16)
Weighted average number of shares outstanding - basic and diluted		**77,191,360**	19,720,775

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

KOIOS BEVERAGE CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended May 31, 2020 and 2019
(Expressed in US dollars)

	Note	Number of Shares	Share Capital	Reserves	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total
			$	$	$	$	$	$
Balance, May 31, 2018		49,990,545	7,609,618	247,416	-	(7,575,514)	-	281,520
Private placement	10	24,311,946	5,308,518	-	-	-	-	5,308,518
Share issuance costs	10	-	(253,645)	135,412	-	-	-	(118,233)
Shares issued for warrants exercised	10	1,638,012	232,975	-	-	-	-	232,975
Shares issued for options exercised	10	366,667	140,228	(74,417)	-	-	-	65,811
Cancelled options	10	-	-	(50,893)	-	50,893	-	-
Share-based compensation	10	-	-	627,905	-	-	-	627,905
Other comprehensive loss		-	-	-	-	-	(111,653)	(111,653)
Loss and comprehensive loss for the year		-	-	-	-	(3,126,229)	-	(3,126,229)
Balance, May 31, 2019		76,307,170	13,037,694	885,423	-	(10,650,850)	(111,653)	3,160,614
Shares issued for warrants exercised	10	1,469,430	100,292	-	-	-	-	100,292
Share-based compensation	10	-	-	333,639	-	-	-	333,639
Obligation to issue shares	10			-	61,543	-	-	61,543
Other comprehensive loss		-	-	-	-	-	(61,564)	(61,564)
Loss and comprehensive loss for the year		-	-	-	-	(2,999,128)	-	(2,999,128)
Balance, May 31, 2020		**77,776,600**	**13,137,986**	**1,219,062**	**61,543**	**(13,649,978)**	**(173,217)**	**595,396**

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

KOIOS BEVERAGE CORP.

Consolidated Statements of Cash Flows
For the years ended May 31, 2020 and 2019
(Unaudited - Expressed in US dollars)

For the year ended,	**May 31, 2020**	May 31, 2019
Cash flows used in operating activities	**$**	$
Loss for the year	**(2,999,128)**	(3,126,229)
Item not affecting cash:		
Amortization	**17,422**	2,546
Share-based compensation	**395,182**	627,905
Interest expense	**951**	-
Gain on extinguishment of accounts payable	**(7,407)**	-
Changes in non-cash working capital items:		
Accounts receivable	**(4,319)**	(30,198)
Prepaid expenses	**297,956**	(233,436)
Inventory	**205,630**	(365,383)
Due to related parties	**62,901**	-
Accounts payable and accrued liabilities	**211,240**	74
Net cash flows used in operating activities	**(1,819,572)**	(3,124,721)
Cash flows used in investing activties		
Acquisition of equipment and vehicle	**(17,461)**	(18,972)
Net cash flows used in investing activities	**(17,461)**	(18,972)
Cash flows from financing activities		
Shares issued from private placement, net of share issuance costs	**-**	5,190,285
Shares issued from warrant exercised	**100,292**	232,975
Shares issued from option exercised	**-**	65,811
Vehicle loan received	**-**	18,972
Loan repayment	**(18,622)**	(13,569)
Lease repayments	**(12,793)**	-
Due to related parties	**-**	(83,085)
Net cash flows from financing activities	**68,877**	5,411,389
Effect of foreign exchange	**(62,278)**	(112,738)
Net increase (decrease) in cash	**(1,768,156)**	2,267,696
Cash, beginning of the year	**3,007,394**	852,436
Cash, ending of the year	**1,176,960**	3,007,394

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

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.

The corporate registered and records offices of the Company are located at 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 2V6. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Issues Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

b) Basis of measurement

These 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar. The presentation currency of these consolidated financial statements is the US dollar. Certain comparative figures have been reclassified to conform to the current year's presentation.

c) Going concern

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the year ended May 31, 2020, the Company incurred comprehensive loss of $3,060,692 (2019 - $3,237,882), had an accumulated deficit of $13,649,978 (2019 - $10,650,850) and had working capital of $556,690 (2019 – $3,159,591). The Company anticipates that further losses will be incurred. The Company's ability to continue as a going concern and meet its corporate objectives will 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 available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These 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.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the fourth quarter of 2020. The beverage industry has not been recognized as essential services. As at May 31, 2020, the Company has not observed any material impairments of its assets or a significant change in the fair value of assets, due to the COVID-19 pandemic.

c) Going concern (continued)

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Koios Inc. (formerly Koios, LLC) ("Koios"), Cannavated Beverage Co. (BC) ("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

a) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the consolidated statement of financial position date, that could result in material adjustments to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The provision of deferred tax is based on judgments in applying income tax laws and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The estimated value of the Company's provision of the indemnity to shareholders; and
- The valuation of the Company's securities issued to settle amounts payable;
- The valuation and measurement of stock based compensation;
- The determination of whether the Company will continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency

The Company's functional currency is the Canadian dollar. The functional currency of its subsidiaries is as follows:

Subsidiary Name	Functional Currency
• Koios Inc.	US Dollar
• Cannavated Beverage Co. (BC)	Canadian Dollar
• Cannavated Beverage Corp. (Nevada)	US Dollar

The functional currency of these financial statements is the US Dollar. Monetary assets and liabilities denominated in currencies other than the US dollar are translated into US dollars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Revenues and expenses are translated at average rates throughout the reporting period. All differences are taken to other comprehensive loss.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

d) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

e) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. At each reporting date, prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

f) Special warrants

Special warrants are convertible into common shares and share purchase warrants of the Company. The Company measures the fair value of the special warrants by its components: the fair value of the common shares are valued at the closing price of the Company's shares on the special warrant issuance date; the fair value of the share purchase warrants are determined by using the Black-Scholes option pricing model on the special warrant issuance date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Loss per share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year. To compute diluted earnings per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the year or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the year. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

h) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

i) Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of inventory is calculated using the weighted average method and comprises all costs of purchase necessary to bring the goods to sale. Net realizable value represents the estimated selling price for products sold in the ordinary course of business less the estimated costs necessary to make the sale. Management uses the most reliable evidence available in determining the net realizable value of inventories. Actual selling prices may differ from estimates, based on market conditions at the time of sale. Allowances are made against obsolete or damaged inventory and charged to cost of sales. The reversal of any write-down of inventory arising from increase in the net realizable value is recognized as a reduction of cost of sales in the period in which the reversal occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities under IFRS 9:

Financial assets/liabilities	**Classification - IFRS 9**
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short term loans and vehicle loan	Amortized cost

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (Continued)

Financial assets through other comprehensive income ("FVTOCI")
Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 on June 1, 2018. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services.

Product revenue is recognised once ownership of the products has transferred to the buyer, the amount of revenue is known and collection is reasonably assured. Consignment inventory sales are only recognised as revenue once the third party has sold the inventory and there are no obligation on the Company to take the product back.

l) IFRS 16, Leases

This is the first period for which the Company has applied IFRS 16. The Company has adopted IFRS 16 on a modified retrospective approach. This new standard replaces IAS 17 Leases and the related interpretive 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. There has been no adjustment to these financial statements as a result of the transition to IFRS 16 as of June 1, 2019. Comparative figures for 2018 have not been restated as a result of applying the modified retrospective approach.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Expressed in US Dollars, unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 16, Leases (continued)

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

j) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2020 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these consolidated financial statements.

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

	May 31, 2020	May 31, 2019
	$	$
GST receivable	**16,854**	19,545
Accounts receivable - trade	**24,607**	17,597
	41,461	37,142

4. INVENTORY

	May 31, 2020	May 31, 2019
	$	$
Raw material	**39,215**	108,987
Finished goods	**120,538**	256,396
	159,753	365,383

Included in finished goods is inventory of $67,243 (2019 - $245,534), on consignment with a retailer.

5. PREPAID EXPENSES

	May 31, 2020	May 31, 2019
	$	$
Inventory costs	**-**	51,841
Professional services	**-**	246,115
	-	297,956

Expressed in US Dollars, unless otherwise stated

6. EQUIMENT, VEHICLE AND RIGHT-OF-USE ASSET

	Equipment	Right-of-use Asset	Vehicle	Total
	$	$	$	$
Cost:				
Balance, May 31, 2018	-	-	-	-
Additions	-	-	18,972	18,972
Balance, May 31, 2019	-	-	18,972	18,972
Additions	17,461	33,662	-	51,123
Balance, May 31, 2020	**17,461**	**33,662**	**18,972**	**70,095**
Accumulated amortization:				
Balance, May 31, 2018	-	-	-	-
Additions	-	-	2,546	2,546
Balance, May 31, 2019	-	-	2,546	2,546
Charge for the year	-	10,781	6,641	17,422
Balance, May 31, 2020	**-**	**10,781**	**9,187**	**19,968**
Net book value:				
Balance, May 31, 2019	-	-	16,426	16,426
Balance, May 31, 2020	**17,461**	**22,881**	**9,786**	**50,127**

As at May 31, 2020, the equipment is not yet ready for its intended use. Therefore, the Company has not recorded amortization.

The right-of-use asset relates to leased office space. The lease is reflected as a right-of-use asset, with an associated lease liability (Note 9). The discount rate applied to the lease is 8% per annum.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2020	May 31, 2019
	$	$
Accounts payable	**492,855**	299,597
Accrued liabilities	**53,863**	43,288
	546,718	342,885

8. SHORT TERM LOANS

	May 31, 2020	May 31, 2019
	$	$
Loans owed to former related party	**13,781**	14,046
Loans owed to contracted consultant	**111,517**	126,157
	125,298	140,203

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

Expressed in US Dollars, unless otherwise stated

9. LEASE LIABILITY

At the commencement date of the lease, being January 16, 2020, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 8% per annum, which represents the Company's estimated incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the year ended May 31, 2020:

	$
Balance, June 1, 2019	-
Lease additions (Note 6)	33,662
Lease payments	(12,793)
Interest on lease liability	951
Balance, May 31, 2020	21,820
Current portion	21,820

10. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share issuances

For the year ended May 31, 2020:

During the year ended May 31, 2020, the Company issued 1,469,430 common shares pursuant to warrant exercises for gross proceeds of $100,292 (C$134,443).

On March 31, 2020, the Company amended the special warrants originally issued on April 25, 2018 which consisted of 15,776,838 units ("Units") of the Company with an expiry date of April 25, 2020 to April 25, 2021.

As at May 31, 2020, 2,250,000 (2019 – 4,500,000) were held in escrow.

For the year ended May 31, 2019:

On October 11, 2018, the Company completed a non-brokered private placement consisting of 7,645,282 Units at a price of USD $0.202 (C$0.265) for gross proceeds of $1,553,919 (C$2,026,000). Each Unit was comprised of one common share and one common share purchase warrant; each warrant will be exercisable by the holder to purchase one additional common share per warrant at an exercise price of USD $0.267 (C$0.35) for a three-year period.

On March 20, 2019, the Company completed a non-brokered private placement consisting of 16,666,664 Units at a price of USD $0.226 (C$0.30) for gross proceeds of $3,754,599 (C$5,000,000). Each Unit was comprised of one common share and one half a common share purchase warrant; each warrant will be exercisable by the holder to purchase one additional common share per warrant at an exercise price of USD $0.38 (C$0.50) for a one year period. The Company issued 524,836 finder warrants with a fair value of $135,408 (C$180,329). The finders' warrants were valued using the Black-Scholes Option Pricing Model with the following assumptions: stock price - C$0.52; exercise price - C$0.50; expected life – 1 year; volatility – 187%; dividend yield -$0; and risk-free rate – 1.61%. In addition the Company also paid a cash finder's fee of $118,233 (C$154,451).

During the year ended May 30, 2019, the Company issued 1,638,012 common shares pursuant to warrant exercises for gross proceeds of $232,975 (C$310,363).

During the year ended May 30, 2019, the Company issued 366,667 common shares pursuant to option exercises for gross proceeds of $65,811 (C$86,667). The Company reclassified $74,417 from reserve to share capital.

10. SHARE CAPITAL (CONTINUED)

During the year ended May 30, 2019, the 200,000 stock options were forfeited with a weighted average exercise price of $0.20 and reclassified $50,893 from reserve to deficit.

Stock options

The Company grants stock 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 year ended May 31, 2020:

On November 14, 2019, the Company granted 2,200,000 stock options with an exercise price of C$0.185 per share expiring on November 14, 2021. The options vested 100% the date of grant. The fair value of the stock options was estimated to be $207,809 (C$278,574) using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 140%; risk-free rate of 1.56%; and expected dividends of zero. During the year ended May 31, 2020, the Company cancelled all of these options at managements discretion.

On March 4, 2020, the Company granted 350,000 stock options to a director of the Company, pursuant to its stock option plan, at an exercise price of C$0.16 per common share. Each option granted to the optionee is exercisable for a period of four years. Of the stock options granted, 25% of the stock options vest on June 4, 2020, September 4, 2020, December 4, 2020 and March 4, 2021. The fair value of the stock options was estimated to be $29,783 (C$39,924) using the Black-Scholes pricing model with the following assumptions: term of 4 years; expected volatility of 202%; risk-free rate of 0.90%; and expected dividends of zero. During the year ended May 31, 2020, the Company cancelled all of these options at managements discretion.

On March 11, 2020, the Company granted 100,000 stock options to a consultant of the Company, pursuant to its stock option plan, at an exercise price of C$0.15 per common share. Each option granted to the optionee is exercisable for a period of two years. Of the stock options granted, 25% of the stock options vest on June 11, 2020, September 11, 2020, December 11, 2020 and March 11, 2021. The fair value of the stock options was estimated to be $4,953 (C$6,640) using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 153%; risk-free rate of 0.50%; and expected dividends of zero.. During the year ended May 31, 2020, the Company cancelled all of these options at managements discretion.

During the year ended May 31, 2020, the Company cancelled 5,333,333 stock options with a weighted average exercise price of $0.24 and term of 1.04 years, resulting in stock-based compensation of $333,639 (C$447,251) being recognized.

During the year ended May 31, 2019:

A total of 200,000 stock options were forfeited during the year ended May 31, 2019. The Company reclassified 50,893 from reserves to deficit. In addition 62,500 stock options expired during the year ended May 31, 2019.

On November 28, 2018, the Company granted 300,000 stock options with an exercise price of C$0.37 per share expiring on November 28, 2020. The fair value of the stock options was estimated to be $71,378 (C$94,388) using the Black-Scholes pricing model with the following assumptions: term of 2 years; expected volatility of 202%; risk-free rate of 2.21%; and expected dividends of zero. As at May 31, 2019, the number of exercisable options was 300,000. During the year ended May 31, 2020, the Company cancelled all these options at managements discretion.

Expressed in US Dollars, unless otherwise stated

10. SHARE CAPITAL (CONTINUED)

Stock options (Continued)

On February 20, 2019, the Company granted 1,000,000 stock options with an exercise price of C$0.30 per 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. During the year ended May 31, 2020, the Company recognized share-based compensation of $22,619 (C $30,321). During the year ended May 31, 2020, the Company cancelled all these options at managements discretion.

On February 22, 2019, the Company granted 1,500,000 stock options with an exercise price of C$0.28 per 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. During the year ended May 31, 2020, the Company recognized share-based compensation of $68,475 (C $91,792). As at May 31, 2019, the number of exercisable options was 333,332. During the year ended May 31, 2020, the Company cancelled all these options at managements discretion.

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)
Forfeited and expired	(262,500)	(0.32)
Balance at May 31, 2019	3,783,333	0.27
Granted	2,650,000	0.18
Expired	1,100,000	0.20
Cancelled	(5,333,333)	(0.24)
Balance at May 31, 2020	-	-

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
Exercised	(1,469,430)	(0.09)
Expired	(8,958,172)	(0.50)
Balance at May 31, 2020	21,214,678	0.17

Expressed in US Dollars, unless otherwise stated

10. SHARE CAPITAL (CONTINUED)

Warrants (continued)

Information regarding share purchase warrants outstanding at May 31, 2020 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, 2021	0.54
1,558,075	0.10	April 25, 2021	0.07
7,031,603	0.35	October 11, 2021	0.45
21,214,678			1.05

During the year ended May 31, 2020, 969,430 share purchase warrants with an exercise price of C$0.10 and 500,000 share purchase warrants with an exercise price of C$0.075 were exercised for gross proceeds of $100,292 (C$134,443).

Obligation to issue shares

During the year ended May 31, 2020, the Company entered into three separate agreements where the Company agreed to issue 1,100,000 common shares upon achievement of certain operational milestones to one of the Company's key executives and two consultants of the Company. The estimated fair value of the 1,100,000 common shares is $61,543 (C$82,500). The shares were issued subsequent to May 31, 2020 (Note 16).

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended May 31, 2020:

	May 31, 2020 $	May 31, 2019 $
Consulting fees paid or accrued to the CEO	**115,500**	147,250
Consulting fees paid or accrued to the CFO	**44,759**	30,000
Accounting and corporate fees paid or accrued to a company controlled by the CFO	**44,759**	-
Consulting fees paid or accrued to the former CFO	**-**	13,292
Share based compensation paid to directors and officers	**158,803**	223,032
	363,821	413,574

As at May 31, 2020, $104,279 (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.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities, and short term loans. 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.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7 – Financial Instruments – Disclosures.

Level 1 – Observable inputs other than quoted prices include in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data. Cash and cash equivalents are classified as Level 1.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Level 2 – Observable inputs other than quoted prices, included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

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 accounts receivable. 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.

Fair value measurements of financial assets and liabilities

The Company believes that the recorded values of its accounts receivable, short term loans and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

13. 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 $23,369 (C$32,219). As at May 31, 2020, the balance is still owing.

Expressed in US Dollars, unless otherwise stated

14. INCOME TAXES

The differences between tax recovery for the 2020 and 2019 years ended, and the expected income tax recovery based on statutory rates arise as follows:

		May 31, 2020		May 31, 2019
Loss before income tax	$	(2,999,128)	$	(3,126,229)
Expected tax recovery based on statutory rate of 23.6% (2019 - 27%)		(706,808)		(844,000)
Non-deductible expenditures		-		169,000
Permanent and other differences		107,235		(68,000)
Other		(37,262)		55,000
Change in deferred tax assets		636,835		688,000
Total income tax recovery	$	-	$	-

As at May 31, 2020, the Company has accumulated Canadian non-capital losses of $8,707,000 for income tax purposes which may be deducted in the calculation of taxable income in future years expiring in 2040. The potential benefit of these non-capital loss carry-forwards has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred assets to be recovered. Tax attributes are subject to review, and potential adjustment, by tax authorities.

15. 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 business 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, 2020 and 2019. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business, and will need to raise additional 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.

16. SUBSEQUENT EVENTS

On July 17, 2020, the Company issued 1,100,000 common shares as performance bonuses to officer and consultants of the Company (Note 10).

On July 17, 2020, the Company issued 6,033,333 stock options to directors, officers, and consultants. The stock options have an exercise price of $0.08 per common share and expires on July 17, 2025.