

KOIOS BEVERAGE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE SIX MONTHS PERIOD ENDED
NOVEMBER 30, 2020 AND 2019
(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, | Note | November 30, 2020 | May 31, 2020 |
|--|------|----------------------|-----------------|
| | | \$ | \$ |
| ASSETS | | | |
| Cash | | 604,349 | 1,176,960 |
| Accounts receivable | 3 | 33,476 | 41,461 |
| Inventory | 4 | 185,297 | 159,753 |
| Prepaid | | 12,594 | - |
| | | 835,716 | 1,378,174 |
| NON-CURRENT ASSETS | | | |
| Equipment, vehicle and right-of-use asset | 6 | 75,312 | 50,127 |
| Total assets | | 911,028 | 1,428,301 |
| LIABILITIES | | | |
| Provision for indemnity | 13 | 24,851 | 23,369 |
| Accounts payable and accrued liabilities | 7,11 | 336,919 | 546,718 |
| Short-term loans | 8 | 115,172 | 125,298 |
| Short-term Lease liability | 9 | 28,249 | 21,820 |
| Due to related parties | 11 | 169,541 | 104,279 |
| | | 674,732 | 821,484 |
| NON-CURRENT LIABILITIES | | | |
| Long-term lease liability | 9 | 21,896 | - |
| Vehicle loan | | 9,609 | 11,421 |
| | | 706,237 | 832,905 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 10 | 13,199,529 | 13,137,986 |
| Reserves | | 1,547,621 | 1,219,062 |
| Obligation to issue shares | | - | 61,543 |
| Accumulated other comprehensive loss | | (109,299) | (173,217) |
| Deficit | | (14,433,060) | (13,649,978) |
| TOTAL SHAREHOLDERS' EQUITY | | 204,791 | 595,396 |
| Total liabilities and shareholders' equity | | 911,028 | 1,428,301 |

Approved and authorized for issue by the board of directors on January 29, 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 condensed interim consolidated financial statements.

KOIOS BEVERAGE CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited) For the six months ended November 30, 2020 and 2019 (Expressed in US dollars)

| | Note | Three month period ended November 30, | | Six month period ended November 30, | |
|--|------|--|------------|--|-------------|
| | | 2020 \$ | 2019 \$ | 2020 \$ | 2019 \$ |
| Product revenue | | 138,378 | 256,467 | 352,610 | 443,987 |
| Cost of sales | | (86,460) | (141,122) | (248,433) | (277,379) |
| | | 51,918 | 124,345 | 104,177 | 166,608 |
| General and administration expenses | | | | | |
| Corporate development | | 9,724 | 509,546 | 58,427 | 962,483 |
| Freight and shipping | | 40,454 | 38,884 | 57,871 | 93,236 |
| Consulting fees | 11 | 94,071 | 157,410 | 138,125 | 267,406 |
| Amortization | 6 | 15,656 | 948 | 23,818 | 1,897 |
| Filing fees and regulatory fees | | 3,008 | 4,814 | 8,402 | 6,873 |
| Office | | 323 | 9,813 | 48,336 | 82,413 |
| Professional fees | | 34,158 | 6,851 | 96,115 | 41,977 |
| Insurance | | 7,827 | - | 16,005 | - |
| Rent | | 17,345 | 7,837 | 22,376 | 16,290 |
| Share-based compensation | 10 | 3,012 | 224,302 | 328,559 | 282,010 |
| Travel | | - | 15,136 | - | 29,171 |
| Total general and administration expenses | | (225,578) | (975,541) | (798,034) | (1,783,756) |
| Other items | | | | | |
| Gain on extinguishment of accounts payable | | - | (31,760) | - | 260,346 |
| Foreign exchange loss | | (24,492) | (1,432) | (89,225) | (70,309) |
| | | 24,492 | 33,192 | 89,225 | (190,037) |
| Loss for the period | | (198,152) | (884,388) | (783,082) | (1,427,111) |
| Other comprehensive loss | | | | | |
| Exchange differences related to presentation currency | | 17,877 | 2,548 | 63,918 | 81,800 |
| Loss and comprehensive loss for the period | | (180,275) | (881,840) | (719,164) | (1,345,311) |
| Loss per share, basic and diluted | | (0.00) | (0.01) | (0.01) | (0.02) |
| Weighted average number of shares outstanding - basic and diluted | | 78,613,822 | 76,957,170 | 78,189,477 | 76,307,170 |

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

For the six month period ended November 30, 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, 2019 | | 76,307,170 | 13,037,694 | 885,423 | - | (10,650,850) | (111,653) | 3,160,614 |
| Shares issued for warrants exercised | 10 | 650,000 | 39,716 | - | - | - | - | 39,716 |
| Share-based compensation | 10 | - | - | 282,010 | - | - | - | 282,010 |
| Accumulated other comprehensive income | | - | - | - | - | - | 81,800 | 81,800 |
| Loss and comprehensive loss for the year | | - | - | - | - | (1,427,111) | - | (1,427,111) |
| Balance, November 30, 2019 | | 76,957,170 | 13,077,410 | 1,167,433 | - | (12,077,961) | (29,853) | 2,137,104 |
| Balance, May 31, 2020 | | 77,776,600 | 13,137,986 | 1,219,062 | 61,543 | (13,649,978) | (173,217) | 595,396 |
| Shares issued for consulting performance | 10 | 1,100,000 | 61,543 | - | (61,543) | - | - | - |
| Share-based compensation | 10 | - | - | 328,559 | - | - | - | 328,559 |
| Other comprehensive loss | | - | - | - | - | - | 63,918 | 63,918 |
| Loss and comprehensive loss for the period | | - | - | - | - | (783,082) | - | (783,082) |
| Balance, November 30, 2020 | | 78,876,600 | 13,199,529 | 1,547,621 | - | (14,433,060) | (109,299) | 204,791 |

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

KOIOS BEVERAGE CORP.

Condensed Interim Consolidated Statements of Cash Flows For the six month period ended November 30, 2020 and 2019 (Unaudited - Expressed in US dollars)

| For the period ended, | November 30, 2020 | November 30, 2019 |
|--|----------------------|----------------------|
| Cash flows used in operating activities | \$ | \$ |
| Loss for the period | (783,082) | (1,427,111) |
| Item not affecting cash: | | |
| Amortization | 23,818 | 1,897 |
| Share-based compensation | 328,559 | 282,010 |
| Interest expense | 1,564 | - |
| Gain on extinguishment of accounts payable | - | (260,346) |
| Foreign exchange | (10,126) | 612 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 7,985 | (27,727) |
| Prepaid expenses | (12,594) | 120,186 |
| Inventory | (25,544) | 68,746 |
| Due to related parties | 65,262 | - |
| Accounts payable and accrued liabilities | (208,317) | 16,887 |
| Net cash flows used in operating activities | (612,475) | (1,224,846) |
| Cash flows used in investing activities | | |
| Equipment purchase | (3,060) | (17,460) |
| Net cash flows used in investing activities | (3,060) | (17,460) |
| Cash flows from financing activities | | |
| Shares issued from warrant exercised | - | 39,791 |
| Loan repayment | (1,812) | (2,171) |
| Lease repayments | (19,182) | - |
| Net cash flows from financing activities | (20,994) | 37,620 |
| Effect of foreign exchange on cash | 63,918 | 81,800 |
| Net decrease in cash | (572,611) | (1,122,886) |
| Cash, beginning of the year | 1,176,960 | 3,007,394 |
| Cash, ending of the period | 604,349 | 1,884,508 |

OTHER SUPPLEMENTAL INFORMATION

| For the period ended, | November 30, 2020 | November 30, 2019 |
|--|----------------------|----------------------|
| Shares issued for consulting performance | 61,543 | - |
| Taxes paid | - | - |
| Interest paid | - | - |

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 six month period ended November 30, 2020 and 2019
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.

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 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, 2020.

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 functional currency of the Company is the Canadian dollar. The presentation currency of these condensed interim 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 period ended November 30, 2020, the Company incurred comprehensive loss of \$783,082 (2019 - \$1,427,111), had an accumulated deficit of \$14,433,060 (May 31, 2020 - \$13,649,978) and had working capital of \$139,088 (May 31, 2020 –\$556,690). 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 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.

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 November 30, 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.

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the six month period ended November 30, 2020 and 2019
Expressed in US Dollars, unless otherwise stated

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

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 condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 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 condensed interim 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, 2020.

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.

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 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 condensed interim 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

| | November 30, 2020 | May 31, 2020 |
|-----------------------------|--------------------------|--------------|
| | \$ | \$ |
| Tax receivable | 22,457 | 16,854 |
| Accounts receivable - trade | 11,019 | 24,607 |
| | 33,476 | 41,461 |

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the six month period ended November 30, 2020 and 2019
Expressed in US Dollars, unless otherwise stated

4. INVENTORY

| | November 30, 2020 | May 31, 2020 |
|----------------|-------------------|--------------|
| | \$ | \$ |
| Raw material | 100,784 | 39,215 |
| Finished goods | 84,513 | 120,538 |
| | 185,297 | 159,753 |

Included in finished goods is inventory of \$18,190 (May 31, 2020 - \$67,243), on consignment with a retailer.

5. PREPAID

During the period ending November 30, 2020, the Company prepaid \$12,594 (2019 – \$Nil) in lease deposits to two arms-length vendors for the leasing of equipment and office space.

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

| | Equipment | Right-of- use Asset | Vehicle | Total |
|-----------------------------------|---------------|------------------------|---------------|----------------|
| | \$ | \$ | \$ | \$ |
| Cost: | | | | |
| Balance, May 31, 2019 | - | - | 18,972 | 18,792 |
| Additions | 17,461 | 33,662 | - | 51,123 |
| Balance, May 31, 2020 | 17,641 | 33,662 | 18,972 | 69,915 |
| Additions | 687 | 48,316 | - | 49,003 |
| Balance, November 30, 2020 | 18,148 | 81,978 | 18,972 | 118,918 |
| Accumulated amortization: | | | | |
| Balance, May 31, 2019 | - | - | 2,546 | 2,546 |
| Additions | - | 10,781 | 6,641 | 17,422 |
| Balance, May 31, 2020 | - | 10,781 | 9,187 | 19,968 |
| Additions | - | 21,920 | 1,898 | 23,818 |
| Balance, November 30, 2020 | - | 32,701 | 11,085 | 43,786 |
| Net book value: | | | | |
| Balance, May 31, 2020 | 17,641 | 22,881 | 9,785 | 50,307 |
| Balance, November 30, 2020 | 18,148 | 49,277 | 7,887 | 75,312 |

The right-of-use asset relates to two leased office spaces. The leases are 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

| | November 30, 2020 | May 31, 2020 |
|---------------------|-------------------|--------------|
| | \$ | \$ |
| Accounts payable | 206,805 | 492,855 |
| Accrued liabilities | 130,114 | 53,863 |
| | 336,919 | 546,718 |

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
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8. SHORT TERM LOANS

| | November 30, 2020 | May 31, 2020 |
|-------------------------------------|-------------------|----------------|
| | \$ | \$ |
| Loans owed to former related party | 14,655 | 13,781 |
| Loans owed to contracted consultant | 100,517 | 111,517 |
| | 115,172 | 125,298 |

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

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 period ended November 30, 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 |
| Lease additions (Note 6) | 48,317 |
| Payments | (21,556) |
| Interest | 1,564 |
| Current portion as at November 30, 2020 | 50,145 |
| Current portion | (24,249) |
| Long-term portion | 21,896 |

10. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share issuances

For the period ended November 30, 2020:

During the six-month period ended November 30, 2020, the Company issued 1,100,000 common shares to officers and consultants of the Company pursuant to consulting performance for a deemed value of \$61,543 (C\$82,500).

As at November 30, 2020, 1,125,000 common shares were held in escrow (May 31, 2020 – 2,250,000).

For the period ended November 30, 2019:

During the period ended November 30, 2019, the Company issued 650,000 common shares pursuant to warrant exercises for gross proceeds of \$39,716 (C\$52,500).

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
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Expressed in US Dollars, unless otherwise stated

10. SHARE CAPITAL (CONTINUED)

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 period ended November 30, 2020:

On July 16, 2020, the Company granted 6,033,333 stock options with an exercise price of C\$0.08 per share expiring on July 16, 2025. The options vest immediately. The fair value of the stock options was estimated to be \$328,559 (C\$437,207) using the Black-Scholes pricing model with the following assumptions: term of 5 years; expected volatility of 191%; risk-free rate of 0.33%; and expected dividends of zero. During the period ended November 30, 2020, the Company recognized share-based compensation of \$328,559 (C \$437,207).

During the period ended November 30, 2019:

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 \$210,714 (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.

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, 2019 and August 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 | - | - |
| Granted | 6,033,333 | 0.08 |
| Balance at November 30, 2020 | 6,033,333 | 0.08 |

As at November 30, 2020, the remaining life of the Company's stock options was 4.63 years.

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the six month period ended November 30, 2020 and 2019
Expressed in US Dollars, unless otherwise stated

10. SHARE CAPITAL (CONTINUED)

Share purchase warrants

The following table summarizes warrant activity:

| | Number of warrants | Weighted average price C\$ |
|---|-----------------------|-------------------------------|
| 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 and November 30, 2020 | 21,214,678 | 0.17 |

Information regarding share purchase warrants outstanding at November 30, 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 | 0.40 |
| 1,558,075 | 0.10 | April 25, 2021 | 0.40 |
| 7,031,603 | 0.35 | October 11, 2021 | 0.86 |
| 21,214,678 | | | 0.59 |

During the period ended November 30, 2020, the Company did not issue any share purchase warrants.

During the period ended November 30, 2019, the Company issued 650,000 common shares pursuant to warrant exercises for gross proceeds of \$39,716 (C\$52,500).

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 during the period ended November 30, 2020.

11. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended November 30, 2020:

| | November 30, 2020 | November 30, 2019 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Consulting fees paid or accrued to the CEO | 30,000 | 58,500 |
| Consulting fees paid or accrued to the CFO | 22,338 | 22,692 |
| Accounting and corporate fees paid or accrued to a company controlled by the CFO | 22,338 | 22,692 |
| Share based compensation paid to directors and officers | 126,801 | 49,780 |
| | 201,477 | 153,664 |

As at November 30, 2020, \$123,008 (May 31, 2020 – \$104,279) 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.

KOIOS BEVERAGE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the six month period ended November 30, 2020 and 2019
Expressed in US Dollars, unless otherwise stated

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.

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.

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For the six month period ended November 30, 2020 and 2019
Expressed in US Dollars, unless otherwise stated

12. FINANCIAL INSTRUMENTS (CONTINUED)

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 November 30, 2020, the balance is still owing.

14. 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 period ended November 30, 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.