

KOIOS BEVERAGE CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020
(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	February 28, 2021 \$	May 31, 2020 \$
ASSETS			
Cash		694,096	1,176,960
Accounts receivable	3	48,013	41,461
Inventory	4	137,682	159,753
Prepaid	5	149,743	-
		1,029,534	1,378,174
NON-CURRENT ASSETS			
Investment in joint venture	6	200,547	-
Property and equipment	7	40,946	50,127
Total assets		1,271,027	1,428,301
LIABILITIES			
Accounts payable and accrued liabilities	8	313,764	546,718
Provision for indemnity	15	25,399	23,369
Short-term loans	9	115,495	125,298
Convertible debenture	11	212,777	-
Derivative liability	11	417,341	-
Short-term lease liabilities	10	78,681	21,820
Due to related parties	13	185,109	104,279
		1,348,566	821,484
NON-CURRENT LIABILITIES			
Long-term lease liability	10	86,051	-
Vehicle loan		8,704	11,421
		1,443,321	832,905
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	12	13,349,314	13,137,986
Reserves		1,552,223	1,219,062
Obligation to issue shares		-	61,543
Accumulated other comprehensive loss		(32,239)	(173,217)
Deficit		(15,041,592)	(13,649,978)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(172,294)	595,396
Total liabilities and shareholders' equity		1,271,027	1,428,301

Nature and continuance of operations – Note 1

Subsequent events – Note 17

Approved and authorized for issue by the board of directors on April 29, 2021 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 nine-month period ended February 28, 2021 and February 29, 2020

(Expressed in US dollars)

	Note	Three-month period ended		Nine-month period ended	
		February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
		\$	\$	\$	\$
Product revenue		99,280	201,038	451,890	645,025
Cost of sales		(97,653)	(114,494)	(346,086)	(391,873)
		1,627	86,544	105,804	253,152
General and administration expenses					
Corporate development		91,374	59,127	149,801	686,305
Freight and shipping		41,039	69,218	98,910	162,454
Consulting fees	13	122,384	133,470	260,509	400,876
Amortization	7	9,012	949	32,830	2,846
Filing fees and regulatory fees		6,697	7,851	15,099	14,724
Share of losses from joint venture	6	11,746	-	11,746	-
Interest expense		15,227	-	15,227	-
Revaluation of derivative liability	11	136,648	-	136,648	-
Office		32,634	2,969	80,970	85,382
Professional fees		34,487	12,284	130,602	54,261
Insurance		10,551	-	26,556	-
Rent		(1,939)	14,743	20,437	31,033
Share-based compensation	12	4,602	12,869	333,161	294,879
Travel		-	18,377	-	47,548
Total general and administration expenses		(514,462)	(652,823)	(1,312,496)	(2,436,579)
Other items					
Gain on extinguishment of accounts payable		-	263	-	260,609
Foreign exchange loss		(95,697)	(2,941)	(184,922)	(70,386)
		(95,697)	(2,678)	(184,922)	190,223
Loss for the period		(608,532)	(568,957)	(1,391,614)	(1,993,204)
Other comprehensive loss					
Exchange differences related to presentation currency		77,060	225	140,978	82,025
Loss and comprehensive loss for the period		(531,472)	(568,732)	(1,250,636)	(1,911,179)
Loss per share, basic and diluted		(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of shares outstanding - basic and diluted		79,044,378	77,574,600	78,757,341	77,003,342

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 nine-month period ended February 28, 2021 and February 29, 2020

(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	12	1,267,430	86,508	-	-	-	-	86,508
Share-based compensation	12	-	-	294,879	-	-	-	294,879
Accumulated other comprehensive income		-	-	-	-	-	82,025	82,025
Loss and comprehensive loss for the period		-	-	-	-	(1,993,204)	-	(1,993,204)
Balance, February 29, 2020		77,574,600	13,124,202	1,180,302	-	(12,644,054)	(29,628)	1,630,822
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	12	1,100,000	61,543	-	(61,543)	-	-	-
Share-based compensation	12	-	-	333,161	-	-	-	333,161
Shares issued for warrant exercise	12	2350000	149,785	-	-	-	-	149,785
Accumulated other comprehensive income		-	-	-	-	-	140,978	140,978
Loss and comprehensive loss for the period		-	-	-	-	(1,391,614)	-	(1,391,614)
Balance, February 28, 2021		81,226,600	13,349,314	1,552,223	-	(15,041,592)	(32,239)	(172,294)

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 nine-month period ended February 28, 2021 and February 29, 2020

(Unaudited - Expressed in US dollars)

For the period ended,	February 28, 2021	February 29, 2020
Cash flows used in operating activities	\$	\$
Loss for the period	(1,391,614)	(1,993,204)
Item not affecting cash:		
Amortization	32,830	2,846
Share of losses from joint venture	11,746	-
Revaluation of derivative liability	136,648	-
Interest and accretion on convertible debenture	15,227	-
Share-based compensation	333,161	294,879
Interest on lease liability	4,974	-
Gain on extinguishment of accounts payable	-	(260,609)
Foreign exchange	148,354	(9,538)
Changes in non-cash working capital items:		
Accounts receivable	(10,213)	(11,512)
Prepaid expenses	(149,743)	100,601
Inventory	22,071	56,917
Due to related parties	80,830	-
Accounts payable and accrued liabilities	(232,954)	66,750
Net cash flows used in operating activities	(998,683)	(1,752,870)
Cash flows used in investing activities		
Equity investment	(49,507)	-
Equipment purchase	(5,300)	(17,460)
Net cash flows used in investing activities	(54,807)	(17,460)
Cash flows from financing activities		
Convertible debenture	478,243	-
Shares issued from warrant exercised	149,785	86,508
Loan repayment	(2,717)	(3,077)
Lease repayments	(39,798)	-
Net cash flows from financing activities	585,513	83,431
Effect of foreign exchange on cash	15	82,025
Net decrease in cash	(482,864)	(1,604,874)
Cash, beginning of the year	1,176,960	3,007,394
Cash, ending of the period	694,096	1,402,520

OTHER SUPPLEMENTAL INFORMATION

For the period ended,	February 28, 2021	February 29, 2020
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 nine-month period ended February 28, 2021 and February 29, 2020
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 February 28, 2021, the Company incurred comprehensive loss of \$1,391,614 (2020 - \$1,993,204), had an accumulated deficit of \$15,041,592 (May 31, 2020 - \$13,649,978) and had working capital deficiency of \$319,032 (May 31, 2020 – working capital of \$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 nine-month period ended February 28, 2021. The beverage industry has not been recognized as essential services. As at February 28, 2021, 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 nine-month period ended February 28, 2021 and February 29, 2020****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 February 28, 2021 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

	February 28, 2021	May 31, 2020
	\$	\$
Tax receivable	24,226	16,854
Accounts receivable	23,787	24,607
	48,013	41,461

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****4. INVENTORY**

	February 28, 2021	May 31, 2020
	\$	\$
Raw material	27,328	39,215
Finished goods	110,354	120,538
	137,682	159,753

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

5. PREPAID

During the period ending February 28, 2021, the Company prepaid \$149,743 (2020 – \$Nil) to two arms-length suppliers of the Company.

6. INVESTMENT IN JOINT VENTURE

On February 18, 2021, the Company partnered with Beauty Gourmet LLC, a woman’s functional beverage Company and formed a subsidiary named BevCreation, LLC (“BevCreation”). BevCreation is a manufacturer of functional beverages and operates in Denver, Colorado. Pursuant to terms of the Operating Agreement (“Operating Agreement”), the Company owns 50% of BevCreation and has advanced cash and equipment to BevCreation. BevCreation will streamline the Company’s canning processes and will improve the Company’s supply chain efficiency.

Based on the terms of the Operating Agreement, management has determined that BevCreation meets the definition of a joint venture. Accordingly, the investment is accounted for using the equity method in these consolidated financial statements.

	February 28, 2021
	\$
Opening balance, May 31, 2020	-
Equipment contributed	162,786
Cash advanced	49,507
Share of losses from joint venture	(11,746)
Ending balance, February 28, 2021	200,547

The following table summarizes the financial information of the Company’s joint venture and reflects the amounts presented in the financial statements of BevCreation:

	February 28, 2021
	\$
Cash and cash equivalents	12,042
Current assets	2,520
Long-term assets	173,204
Depreciation	8,637

For the period ended February 28, 2021, BevCreation reported revenues of \$10,072 and expenses of \$42,201, totalling a net loss of \$32,129 on its financial statements.

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****7. 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	8,509	48,317	-	56,826
Equity contribution to BevCreation	(22,761)	(20,447)	-	(43,208)
Balance, February 28, 2021	3,389	61,502	18,972	83,863
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	-	32,126	2,845	34,971
Disposals	-	(12,022)	-	(12,022)
Balance, February 28, 2021	-	30,885	12,032	42,917
Net book value:				
Balance, May 31, 2020	17,641	22,881	9,785	50,307
Balance, February 28, 2021	3,389	30,617	6,940	40,946

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. During the nine-month period ended February, 28, 2021, the Company terminated one of the office leases and recorded the to disposals.

On February 18, 2021, pursuant to the Operating Agreement with BevCreation, the Company contributed consideration in the form of equipment with book value of \$22,761, as BevCreation holds the rights to the equipment, the Company recorded \$22,761 to Equity contribution to BevCreation.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28, 2021	May 31, 2020
	\$	\$
Accounts payable	207,339	492,855
Accrued liabilities	106,425	53,863
	313,764	546,718

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****9. SHORT TERM LOANS**

	February 28, 2021	May 31, 2020
	\$	\$
Loans owed to former related party	14,978	13,781
Loans owed to contracted consultant	100,517	111,517
	115,495	125,298

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

10. LEASE LIABILITY

As at February 28, 2021, the Company has three equipment leases and an office lease (Collectively, the “Leases”). The Leases were measured at the present value of the future lease payments. 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 February 28, 2021:

	\$
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)	188,342
Payments	(39,808)
Interest	4,974
Disposal	(10,596)
Balance, February 28, 2021	164,732
Current portion	78,681
Long-term portion	86,051

During the period ended February 28, 2021, the Company entered into three equipment leases. The leases have duration of four years. On February 18, 2021, the leased equipment was contributed to the joint venture with BevCreation as consideration. BevCreation holds the rights to operate the equipment. Koios will bear the lease costs.

During period ended February 28, 2021, the Company terminated an office lease with no penalty payment. The Company entered into another office lease with a third-party vendor for lease term of fourteen months with option to renew the lease contract at the end of the lease term.

11. CONVERTIBLE DEBENTURES

During the period ended February 28, 2021, the Company completed a non-brokered private placement of unsecured convertible debenture financings (“Debenture”) with an aggregate face value of \$463,355 (CAD \$600,000). The debentures bear interest of 15%, mature in 9 months and the principal and interest are convertible into common shares at a conversion price the is the lesser of the five-day volume weighted average price (“VWAP”) for five-trading sessions on the Canadian Securities Exchange prior to the Closing Date and a 25% discount to the VWAP of for the 5-day trading sessions prior to conversion per Common Share. Because the number of shares to be issued are variable, the convertible is accounted for as a derivative liability under IFRS 9.

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****11. CONVERTIBLE DEBENTURES (CONTINUED)**

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures:

	Liability component of convertible debenture	Derivative liability	Total
	\$	\$	\$
Balance, May 31, 2020	-	-	-
Additions	193,007	270,348	463,355
Accretion expense	15,227	-	15,227
Foreign exchange	4,543	10,344	14,887
Revaluation of derivative liability	-	136,648	136,648
Balance, February 28, 2021	212,777	417,340	630,117

Management estimated that the fair value of the derivative liability on the date of acquisition with the remainder of the convertible allocated to a liability.

The fair value of the derivative liability at February 28, 2021 was estimated using the Black-Scholes Option Pricing Model using the following weighted-average assumptions: Expected volatility – 146%; exercise price – \$0.18; expected life – 0.59 years; and risk-free rate – 0.17%.

12. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

Share issuances**For the period ended February 28, 2021:**

During the period ended February 28, 2021, 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).

During the period ended February 28, 2021, the Company issued 2,350,000 common shares pursuant to warrant exercises for gross proceeds of \$149,785 (C\$190,000).

As at February 28, 2021, 1,125,000 common shares were held in escrow (May 31, 2020 – 2,250,000).

For the period ended February 29, 2020:

During the period ended February 29, 2020, the Company issued 1,267,430 common shares pursuant to warrant exercises for gross proceeds of \$86,508 (C\$114,243)

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****12. 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 February 28, 2021:

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 \$333,161 (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 February 29, 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 \$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, issued and exercisable	Weighted average price C\$
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	-	-
Granted	6,033,333	0.08
Balance at February 28, 2021	6,033,333	0.08

As at February 28, 2021, the remaining life of the Company's stock options was 4.38 years with an exercise price of \$0.08.

KOIOS BEVERAGE CORP.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine-month period ended February 28, 2021 and February 29, 2020****Expressed in US Dollars, unless otherwise stated****12. 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	21,214,678	0.17
Exercised	(2,350,000)	(0.08)
Balance at February 28, 2021	18,864,678	0.18

Information regarding share purchase warrants outstanding at February 28, 2021 is as follows:

Number of warrants outstanding and exercisable	Exercise price C\$	Expiry date	Weighted Average Remaining Life (years)
10,825,000	0.075	April 25, 2021	0.09
1,008,075	0.10	April 25, 2021	0.01
7,031,603	0.35	October 11, 2021	0.23
18,864,678			0.33

During the period ended February 28, 2021, the Company did not issue any share purchase warrants.

During the period ended February 29, 2020, 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 February 28, 2021.

13. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended February 28, 2021:

	February 28, 2021	February 29, 2020
	\$	\$
Consulting fees paid or accrued to the CEO	105,000	58,500
Consulting fees paid or accrued to the CFO	34,291	22,692
Accounting and corporate fees paid or accrued to a company controlled by the CFO	44,521	22,692
Share based compensation paid to directors and officers	129,766	49,780
	313,578	153,664

As at February 28, 2021, \$145,425 (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.

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Notes to the Condensed Interim Consolidated Financial Statements

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Expressed in US Dollars, unless otherwise stated

14. 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.

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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14. 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.

15. 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 \$25,399 (C\$32,219). As at February 28, 2021, the balance is still owing.

16. 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 February 28, 2021 and February 29, 2020. 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.

17. SUBSEQUENT EVENTS

On March 8, 2021, the Company completed a private placement and issued 45,000,000 warrants at a price of C\$0.02 per warrant for gross proceeds of C\$900,000. Each Warrant entitles the holder to acquire one Unit of the Company. Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at C\$0.03 per Unit for a period of two years. Each conversion warrant will entitle the holder to acquire one additional share at a price of C\$0.05 for a period of two years.

Subsequent to the period ended February 28, 2021, the Company issued 5,608,075 pursuant to warrant exercises for gross proceeds of C\$445,808.

Subsequent to the period ended February 28, 2021, the Company issued 1,000,000 pursuant to option exercises for gross proceeds of C\$80,000.

On April 22, 2021, the Company issued 200,000 stock options to an employee with an exercise price of \$0.08 and expires on April 22, 2026.