

**KOIOS BEVERAGE CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED  
FEBRUARY 28, 2022 AND 2021  
(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, 2022	May 31, 2021
		\$	\$
<b>ASSETS</b>			
Cash		2,038,838	1,028,827
Accounts receivable	3	59,527	59,182
Loan receivable	12	103,962	100,192
Inventory	4	303,253	166,574
Prepaid		653,421	—
		<b>3,159,001</b>	<b>1,354,775</b>
<b>NON-CURRENT ASSETS</b>			
Investment in joint-venture	5	92,608	45,260
Equipment, vehicle and right-of-use asset	6	97,746	157,296
Total assets		<b>3,349,355</b>	<b>1,557,331</b>
<b>LIABILITIES</b>			
Line of Credit	7	96,067	541,713
Accounts payable and accrued liabilities	8	1,286,306	541,713
Provision for indemnity	15	25,445	26,669
Short-term loans	9	15,005	15,739
Convertible debentures	11	677,480	519,441
Short-term Lease liability	10	59,279	55,424
Due to related parties	12	5,000	169,430
		<b>2,164,582</b>	<b>1,281,648</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term lease liability	10	20,697	60,898
Vehicle loan		4,176	7,798
		<b>2,189,455</b>	<b>1,350,344</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	14,803,959	13,702,458
Contributed Surplus		2,991,952	2,306,110
Obligation to issue shares	12	215,192	215,192
Accumulated other comprehensive loss		(292,754)	(285,889)
Accumulated Deficit		(16,558,449)	(15,730,884)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>920,369</b>	<b>206,987</b>
Total liabilities and shareholders' equity		<b>3,349,355</b>	<b>1,557,331</b>

Approved and authorized for issue by the board of directors on April 29, 2022 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-months ended February 28, 2022

(Expressed in US dollars)

		Three-month period ended February 28,		Nine-month period ended February 28,	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
Product revenue		746,264	99,280	1,208,173	451,890
Cost of sales		(333,435)	(97,653)	(755,671)	(348,433)
		<b>412,829</b>	1,627	<b>452,502</b>	105,804
<b>General and administration expenses</b>					
Corporate development		24,763	91,374	63,491	149,801
Freight and shipping		34,751	41,039	186,276	98,910
Consulting fees	12	167,667	122,384	443,562	260,509
Amortization	6	16,692	9,012	48,241	32,830
Filing fees and regulatory fees		4,770	6,697	8,258	15,099
Share of loss (gain) in joint-venture	5	(22,902)	11,748	(47,348)	11,748
Finance charges	9,10	41,949	15,227	273,482	15,227
Office		15,913	32,634	74,234	80,970
Professional fees		89,891	34,487	145,877	130,602
Insurance		18,228	10,551	54,208	26,556
Rent		10,399	(1,939)	29,756	20,437
Share-based compensation	11	—	4,602	—	333,161
Total general and administration expenses		<b>551,035</b>	377,814	<b>1,280,067</b>	1,175,848
<b>Other items</b>					
Gain on extinguishment of accounts payable		—	—	—	—
Foreign exchange loss		—	(95,697)	—	(184,922)
		—	(95,697)	—	(89,225)
Loss for the period		<b>(138,208)</b>	(471,884)	<b>(827,565)</b>	(1,254,996)
<b>Other comprehensive loss</b>					
Exchange differences related to presentation currency		(58,387)	59,183	(6,865)	77,000
Loss and comprehensive loss for the period		<b>(196,593)</b>	(412,701)	<b>(834,430)</b>	(1,177,906)
Loss per share, basic and diluted		<b>(0.009)</b>	(0.060)	<b>(0.078)</b>	(0.159)
Weighted average number of shares outstanding - basic and diluted		<b>16,083,827</b>	7,875,734	<b>10,661,341</b>	7,875,734

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, 2022 and 2021

(Expressed in US dollars)

	Note	Number of Shares	Share Capital	Reserves	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total
			\$	\$	\$	\$	\$	\$
Balance, June 1, 2020		7,777,660	13,137,986	1,219,062	61,543	(13,649,978)	(173,217)	595,396
Shares issued for consulting performance	12	110,000	61,543	—	(61,543)	—	—	—
Share-based compensation	12	—	—	333,161	—	—	—	333,161
Shares issued upon warrant exercise		235,000	149,785	—	—	—	—	149,785
Other comprehensive loss		—	—	—	—	—	140,978	140,978
Loss and comprehensive loss for the period		—	—	—	—	(1,391,614)	—	(1,391,614)
Balance, February 28, 2021		8,122,660	13,349,314	1,552,223	—	(15,041,592)	(32,239)	(172,294)
<b>Balance, June 1, 2021</b>		8,683,457	13,702,458	2,306,110	(215,192)	(15,730,884)	(285,889)	206,987
Shares issued for cash	12	27,443,000	1,101,501	685,842	—	—	—	1,787,343
Other comprehensive loss		—	—	—	—	—	(6,865)	(6,865)
Loss and comprehensive loss for the period		—	—	—	—	(827,565)	—	(827,565)
<b>Balance, February 28, 2022</b>		<b>36,126,467</b>	<b>14,803,959</b>	<b>2,991,952</b>	<b>(215,192)</b>	<b>(16,558,449)</b>	<b>(292,754)</b>	<b>1,159,900</b>

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, 2022 and 2021**  
**(Unaudited - Expressed in US dollars)**

For the period ended, February 28	2022	2021
<b>Cash flows used in operating activities</b>	\$	\$
Loss for the period	(827,565)	(1,254,996)
Item not affecting cash:		
Amortization	48,241	32,630
Share of (gain) loss of joint venture	(47,348)	—
Share-based compensation	—	333,161
Interest expense	220,321	20,201
Interest income	(3,801)	—
Foreign exchange	—	133,452
Changes in non-cash working capital items:		
Accounts receivable	(345)	(10,213)
Inventory	(136,679)	22,071
Prepaid expenses	(653,421)	(149,743)
Due to related parties	(160,707)	80,830
Accounts payable and accrued liabilities	792,667	(232,954)
<b>Net cash flows used in operating activities</b>	<b>(768,637)</b>	<b>(1,013,585)</b>
<b>Cash flows used in investing activities</b>		
Investment in Joint-Venture	—	(49,507)
Equipment purchase	—	(5,300)
<b>Net cash flows used in investing activities</b>	<b>—</b>	<b>(54,807)</b>
<b>Cash flows from financing activities</b>		
Line of credit	96,067	—
Convertible debenture	—	478,243
Shares issued from warrant exercised	—	149,785
Shares issued for cash	2,150,680	—
Issue costs	(363,317)	—
Loan repayment	(3,622)	(2,717)
Lease repayments	(53,603)	(39,798)
<b>Net cash flows from financing activities</b>	<b>1,826,185</b>	<b>585,513</b>
<b>Effect of foreign exchange on cash</b>	<b>(47,537)</b>	<b>15</b>
<b>Net decrease in cash</b>	<b>1,010,011</b>	<b>(482,864)</b>
Cash, beginning of the year	1,028,827	1,176,960
<b>Cash, ending of the period</b>	<b>2,038,838</b>	<b>694,098</b>
<b>OTHER SUPPLEMENTAL INFORMATION</b>		
For the period ended, February 28	2022	2021
Shares issued for consulting performance	—	61,543
Taxes paid	—	—
Interest paid	3,076	—

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, 2022 and 2021**  
**Expressed in US Dollars, unless otherwise stated**

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**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. Koios specializes 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 1H2. The Company’s common shares are listed for trading on the Canadian Securities Exchange (“**CSE**”) under the symbol “**FIT**” and the United States OTC stock market under the symbol “**FITSF**”.

**a) Statement of compliance**

These unaudited condensed interim consolidated financial statements (“**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 Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended May 31, 2021.

**b) Basis of measurement**

These Financial Statements have been prepared based on historical costs except for certain financial instruments which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is represented in the Canadian dollar. The presentation currency of these Financial Statements is in the US dollar.

**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 nine months ended February 28, 2022, the Company incurred a comprehensive loss of \$827,565 (February 28, 2021 - \$1,254,966), an accumulated deficit of \$16,559,449 (May 31, 2021- \$15,730,884) and had a working capital \$994,419 (May 31, 2021 had a work capital of \$73,127). The Company anticipates that further losses will be incurred. The Company’s ability to continue as a going concern and meeting 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 Financial Statements do not include any adjustments relating to the recoverability, classification of recorded asset amounts, nor 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 such as the closure of non-essential businesses, did not materially disrupt the Company’s operations despite the beverage industry not having been recognized as an essential service. As at November 30, 2021, the Company has not observed any material impairments of its assets or any significant changes in the fair value of assets, due to the COVID-19 pandemic.

**KOIOS BEVERAGE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)**

**d) Going concern (continued)**

Due to rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on future business, financial position and operating results. 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.

**e) Basis of consolidation**

These Financial Statements include the accounts of the Company and its wholly owned subsidiary, Koios. Control over subsidiaries exist when the Company has power, directly or indirectly, to govern the financial and operating policies of said subsidiary, 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 Financial Statements.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies and judgments made by management while preparing these Financial Statements were made with the same as those that applied to the Company's audited consolidated financial statements for the year ended May 31, 2021.

The preparation of these Financial Statements requires the Company's management to make judgments and estimates of any 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 and could potentially have future material effects on the Company's financial position. Estimates are reviewed on an ongoing basis and are based on historical experience among 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.

Recent Accounting Pronouncements

As at the date of authorization of these Financial Statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company, and therefore have been excluded.

**3. ACCOUNTS RECEIVABLE**

	<b>February 22, 2022</b>	May 31, 2021
	\$	\$
Tax receivable	<b>26,357</b>	25,569
Accounts receivable	<b>33,170</b>	33,613
	<b>59,527</b>	59,182



**KOIOS BEVERAGE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month period ended February 28, 2022 and 2021**  
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**4. INVENTORY**

	November 30, 2021	May 31, 2021
	\$	\$
Raw material	162,197	60,748
Finished goods	141,056	105,826
	<b>303,253</b>	<b>166,574</b>

**5. INVESTMENT IN JOINT VENTURE**

On February 18, 2021, the Company, together with Beauty Gourmet LLC, a woman’s functional beverage company formed a joint-venture named BevCreation, LLC (“**BevCreation**”). BevCreation is a manufacturer of functional beverages and operates out of Denver, Colorado. Pursuant to terms of the Operating Agreement (“**Operating Agreement**”), the Company owns 50% of BevCreation and has advanced cash 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 Financial Statements.

	\$
Opening balance, May 31, 2020	
Cash advanced	49,507
Share of losses from joint venture	(4,247)
Ending balance, May 31, 2021	45,260
Share of gain from joint venture	47,348
Ending balance, February 28, 2022	92,608

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, 2022
	\$
Cash	11,255
Current assets	84,580
Long-term assets	109,908
Total liabilities	152,615
Depreciation	61,716

For the nine-month period ended February 28, 2022, BevCreation reported revenues of \$455,666 and expenses of \$370,844, resulting in a net income of \$84,822 on its financial statements.

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

	Equipment	Right-of-use asset – Equipment	Right-of-use asset – office space	Vehicle	Total
	\$		\$	\$	\$
<b>Cost:</b>					
Balance, June 1, 2020	17,641	—	33,662	18,792	70,095
Additions	9,454	105,506	45,260	—	160,220
Disposals	—	—	(10,859)	—	(10,859)
Balance, May 31, 2021	27,095	105,506	68,063	18,792	219,456
Additions	—	—	—	—	—
<b>Balance, February 28, 2022</b>	<b>27,095</b>	<b>105,506</b>	<b>68,063</b>	<b>18,792</b>	<b>219,456</b>
<b>Accumulated amortization:</b>					
Balance, June 1, 2020	—	—	10,781	9,187	19,968
Depreciation	1,635	13,425	23,337	3,795	42,192
Balance, May 31, 2021	1,635	13,425	34,118	12,982	62,160
Depreciation	2,403	20,518	33,945	2,664	59,530
<b>Balance, February 28, 2022</b>	<b>4,038</b>	<b>33,943</b>	<b>68,063</b>	<b>15,646</b>	<b>121,690</b>
<b>Net book value:</b>					
Balance, May 31, 2021	25,460	92,081	33,945	5,810	157,296
<b>Balance, February 28, 2022</b>	<b>23,057</b>	<b>71,563</b>	<b>—</b>	<b>3,126</b>	<b>97,746</b>

The right-of-use asset – office space 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 office leases are 8% per annum.

The discount rate applied in the right-of-use asset – equipment is the implicit rate in its lease, and is between 21% to 32%.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	February 28, 2022	May 31, 2021
	\$	\$
Accounts payable	1,156,753	424,185
Accrued liabilities	129,553	70,740
	<b>1,286,306</b>	494,925

**8. LINE OF CREDIT**

The Company entered received a credit facility of up to \$115,000, which is secured via a first priority on the assets of the Company. Each draw is to be repaid in equal payments over the following 12 months. As at February 28, 2022, the Company has drawn down \$115,000, and there is a balance due of \$96,067, the monthly payments total \$12,685.

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

**9. SHORT TERM LOANS**

	February 28, 2022	May 31, 2021
	\$	\$
Loans owed to former related party	15,005	15,739
	15,005	15,739

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

**10. LEASE LIABILITY**

As at February 28, 2022, the Company has three equipment leases and one 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 for the Company’s office leases, which represents the Company’s estimated incremental borrowing rate and the interest rate implicit in the lease agreement for equipment is between 21% and 32%.

The following is a continuity schedule of Lease liabilities as at February 28, 2022:

	\$
Balance, May 31, 2020	21,820
Lease additions (Note 6)	150,766
Finance expense	(12,275)
Payments	(57,680)
Disposal	(10,859)
Balance, May 31, 2021	116,722
Payments	(53,603)
Finance expense	16,877
Balance, February 22, 2022	79,996
Current portion	59,279
Long-term portion	20,697

**11. CONVERTIBLE DEBENTURES**

During the year ended May 31, 2021, the Company completed a non-brokered private placement of unsecured convertible debenture financings (“**Debenture**”) with an aggregate face value of C\$600,000 (\$463,355). The Debentures bear interest of 15% per annum and matured in November 2021. The principal and interest are convertible into common shares at a conversion price which is the lesser of the five-day volume weighted average price (“**VWAP**”) for five-trading sessions on the CSE 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. At maturity, the Debenture was in default as it was not reimbursed nor was it converted. On March 10, 2022, the Debenture was restructured with the following terms; it will now mature on October 1, 2022 and it will be convertible into units (a “**Unit**”) of the Company with a conversion price of C\$0.13 per Unit. Each Unit will be comprised of one common share (a “**Share**”) and one Share purchase warrant that is exercisable to acquire one additional Share at a price of \$0.13 for a period of 12 months from issuance. All other terms of the Convertible Debenture remain unchanged. The Debenture has been accounted for FVTPL and has a current fair value of C\$857,847 (\$677,480), which is comprised of the face value of C\$600,000 (\$473,847) and accrued interest and penalties of C\$257,847 (\$203,633).

On March 11, 2022, the Debenture were converted in to 6,598,823 common shares.

**KOIOS BEVERAGE CORP.**  
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## 12. SHARE CAPITAL

Authorized - unlimited number of common shares without par value.

On October 19, 2021, the Company consolidated all of its issued and outstanding share capital on the basis of 10:1. On the same date, the Company also changed its ticker symbol from “KBEV” to “FIT”.

### Share issuances

The Company closed a non-brokered private placement of 27,443,000 units at a price of C\$0.10 per unit for gross aggregate proceeds of C\$2,744,300. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional share at a price of C\$0.25 per warrant for a period of one year from closing. In the event that the shares have a closing price on the Canadian Securities Exchange (or such other exchange on which the shares may be traded at such time) of C\$0.50 or greater per share for a period of five consecutive trading days at any time prior to the expiry date of the warrants, the company may accelerate the expiry date of the warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the warrants) and, in such case, the warrants will expire on the 30th day after the date of such notice.

Finder's fee of \$139,475 cash has been paid to qualified parties in connection with the private placement.

### For the fiscal year ended May 31, 2021

During the year ended May 31, 2021, the Company issued 110,000 common shares to officers and consultants of the Company pursuant to a consulting agreement with a fair value of \$61,543 (C\$82,500). The Company transferred \$61,543 from obligation to issue shares to share capital.

During the year ended May 31, 2021, the Company issued 795,807 common shares pursuant to warrant exercises for gross proceeds of \$502,929 (C\$635,808).

On May 26, 2021, the Company completed a private placement and issued 4,500,000 warrants (“**Warrant**”) for gross proceeds of \$743,187 (C\$900,000). Each Warrant is exercisable into one Unit (“**Unit**”). Each Unit consists of one common share and one transferable common share purchase warrant (each a “**Conversion Warrant**”). Each Warrant will entitle the holder to acquire one Unit at a price of \$0.03 per Unit for a period of two years from the date of closing. Each Conversion Warrant will entitle the holder thereof to acquire one additional common share at a price of \$0.05 per share for a two-year period.

As at May 31, 2021, nil common shares were held in escrow (May 31, 2020 – 225,000).

### Obligation to issue shares

During the year ended May 31, 2021, the Company agreed to issue 770,000 common shares with a fair value of \$215,192 to consultants of the Company as payment for performance bonuses, upon achieving certain milestones. As at February 28, 2022, \$215,192 (May 31, 2021 - \$215,192) of the fair value of the services was recorded as an obligation to issue shares.

### 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.

No stock options were issued during the period ended February 28, 2022.

**KOIOS BEVERAGE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the nine-month period ended February 28, 2022 and 2021**  
**Expressed in US Dollars, unless otherwise stated**

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**12. SHARE CAPITAL (CONTINUED)**

**During the year ended May 31, 2021:**

On July 16, 2020, the Company granted 603,333 stock options with an exercise price of C\$0.80 per share expiring on July 16, 2025. The options vested immediately. The fair value of the stock options was estimated to be \$337,768 (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.

On April 22, 2021, the Company granted 20,000 stock options with an exercise price of C\$0.80 per share expiring on April 22, 2026. The options vested immediately. The fair value of the stock options was estimated to be \$3,792 (C\$4,909) using the Black-Scholes pricing model with the following assumptions: term of 5 years; expected volatility of 189%; risk-free rate of 0.93%; and expected dividends of zero.

On May 12, 2021, the Company granted 40,000 stock options with an exercise price of C\$0.75 per share expiring on May 12, 2026. The options vested immediately. The fair value of the stock options was estimated to be \$2,301 (C\$437,207) using the Black-Scholes pricing model with the following assumptions: term of 5 years; expected volatility of 189%; risk-free rate of 0.97%; and expected dividends of zero.

The following table summarizes stock option activity:

	<b>Number of options, issued and exercisable</b>	<b>Weighted average price C\$</b>
Balance at June 1, 2020	—	—
Granted	663,333	0.80
Balance at May 31, 2021 and February 28, 2022	663,333	0.80

Information regarding options outstanding at February 28, 2022 is as follows:

<b>Number of options outstanding and exercisable</b>	<b>Exercise price C\$</b>	<b>Expiry date</b>	<b>Weighted Average Remaining Life (years)</b>
603,333	0.80	July 16, 2025	3.58
20,000	0.80	April 22, 2026	4.34
40,000	0.75	May 12, 2026	4.40
663,333			

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**12. SHARE CAPITAL (CONTINUED)**

**Share purchase warrants**

The following table summarizes warrant activity:

	<b>Number of warrants</b>	<b>Weighted average price C\$</b>
Balance at May 31, 2019	3,164,228	2.60
Exercised	(146,943)	(0.90)
Expired	(895,817)	(5.00)
Balance at May 31, 2020	2,121,468	1.70
Exercised	(795,808)	(0.80)
Expired	(622,500)	(0.80)
Balance at May 31, 2021	703,160	0.70
Expired	(703,160)	(0.80)
Issued	27,443,000	0.25
Balance at May 31, 2021 and February 28, 2022	27,443,000	0.25

**Special Warrants**

As at November 30, 2021, there are 4,500,000 special warrants (“**Special Warrant**”) outstanding. Each Special Warrant is exercisable to acquire one Unit (“**Unit**”). Each Unit consists of one common share and one transferable common share purchase warrant (“**Conversion Warrant**”). Each Special Warrant will entitle the holder to acquire one Unit at a price of \$0.30 per Unit for a period of two years from the date of closing. Each Conversion Warrant will entitle the holder thereof to acquire one additional share at a price of \$0.50 per share for a two-year period.

**13. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the three months ended February 28, 2022:

February 28	\$	\$
Consulting fees paid or accrued to Management	177,500	109,300
Consulting fees paid or accrued to the former CFO	22,338	34,291
Accounting and corporate fees paid or accrued to a company controlled by the former CFO	22,338	44,521
Share based compensation paid to directors and officers	—	129,766

As at February 28, 2022, \$5,000 (May 31, 2021 – \$144,254) 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.

As at February 28, 2022, \$103,962 (May 31, 2021 – \$100,192) is a loan receivable from the CEO of the Company. The loan receivable bears interest of 5% per annum, compounded monthly and matures on May 31, 2022.

On April 8, 2022, the Company issued 3,000,000 common shares in accordance with employee performance bonuses as stipulated within their employment agreements, at a deemed price of \$0.55 per share.

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**14. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, loans receivable, accounts payable, accrued liabilities, convertible debentures and short-term loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to any 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. Convertible debentures are classified as level 3. The fair value was based on the transaction price with changes in fair value based on changes in market conditions.

*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, loans receivable and accounts receivable. The Company limits its exposure to credit risk on liquid financial assets by maintaining its cash with high-credit quality financial institutions. Credit risk related to receivables is monitored by ongoing credit checks. 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 other than the convertible debenture which is denominated in Canadian dollars (Note 9). 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, no source of operating income and 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.

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**14. FINANCIAL INSTRUMENTS (CONTINUED)**

Interest rate risk

The Company normally invests in short-term interest-bearing financial instruments. There is 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, accounts payable and accrued liabilities, approximates their current fair values due to 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 any eligible exploration expenses, which resulted in a penalty and accrued interest totaling approximately \$26,689 (C\$32,219). As at November 30, 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 surplus capital to its immediate operational needs in forms of 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, 2021. 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 10, 2022, the Company restructured the Debenture (see note 11) and the holder converted it into 6,598,823 common shares.

On March 16, 2022, the Company issued 172,662 common shares to a distributor in accordance with a contract entered in to previously, that called for such issuance upon certain milestones being met.

On April 6, 2022, the Company signed a Definitive Agreement to acquire Retox Beverage Corp. ("**Retox**") for 15 million units ("**Unit**"). Each Unit will be comprised of one (1) common share (a "**Share**") and one (1) common share purchase warrant (a "**Warrant**") that is exercisable to acquire one additional Share at a price of \$0.175 for a period of twelve (12) months from closing.

On April 8, 2022, the Company issued 3,000,000 common shares in accordance with employee performance bonuses as stipulated within their employment agreements, at a deemed price of \$0.55 per share.