KOIOS BEVERAGE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2023 and 2022

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

dmcl.ca

Independent Auditor's Report

To the Shareholders of Koios Beverage Corp.

Opinion

We have audited the consolidated financial statements of Koios Beverage Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and 2022, and the consolidated statements of shareholders' equity, operations and comprehensive loss and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net loss since inception and as at May 31, 2023 had a deficit of $44,972,281 and as of that date, the Company's current liabilities exceeded its current assets by $17,989. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 31, 2023

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(All Amounts are in US Dollars)

As at May 31,	2023	2022
A S S E T S (Note 7)		
Cash	$ 508,859	$ 1,313,440
Accounts receivable (Note 3)	160,985	156,021
Inventory (Note 4)	643,455	542,804
Prepaid expenses	193,294	175,566
Loan receivable (Note 15)	100,276	105,276
	1,606,869	2,293,107
Investment in joint venture (Note 5)	84,011	86,225
Long-term prepaid expense	18,734	35,115
Equipment, vehicle and right-of-use assets (Note 6)	672,201	90,059
	$ 2,381,815	$ 2,504,506
L I A B I L I T I E S		
Line of credit (Note 7)	$ 202,589	$ 79,632
Accounts payable and accrued liabilities (Note 8)	1,096,010	1,199,051
Short-term loan (Note 9)	13,968	14,786
Short-term lease liability (Note 10)	85,269	57,737
Vehicle loan (Note 11)	-	3,270
Due to related party (Note 15)	203,337	193,672
Provision for indemnity (Note 19)	23,685	25,072
	1,624,858	1,573,220
Long-term lease liability (Note 10)	633,302	16,625
	2,258,160	1,589,845
S H A R E H O L D E R S' E Q U I T Y		
Share capital (Note 13)	32,717,939	26,272,799
Contributed surplus (Note 14)	7,100,812	6,693,975
Obligation to issue shares (Note 13)	5,432,166	5,029,681
Accumulated other comprehensive income	(154,981)	(191,236)
Accumulated deficit	(44,972,281)	(36,890,558)
	123,655	914,661
	$ 2,381,815	$ 2,504,506

Nature of Organization (Note 1)
Commitments and Contingencies (Note 16)
Subsequent Events (Note 22)

Approved on behalf of the board of directors:

/s/ "*Chris Miller*" — Chris Miller, Director

/s/ "*Erik LeVang*" — Erik LeVang, Director

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in US Dollars)

	Number of Common Shares	Amount of Common Shares	Obligation to issue common shares	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
Balance, June 1, 2021	8,683,457	$ 13,702,458	$ 215,192	$ 2,306,110	$ (285,889)	$ (15,730,884)	$ 206,987
Shares issued for cash, net	27,443,000	2,015,875	—	—	—	—	2,015,875
Shares issued upon conversion of debenture	6,598,823	1,606,435	—	1,199,275	—	—	2,805,710
Shares issued for debt	172,662	50,220	—	—	—	—	50,220
Acquisition of Retox Beverage Corp.	15,000,000	5,550,307	—	4,263,654	—	—	9,813,961
Shares issued for consulting services	3,000,000	1,167,686	—	—	—	—	1,167,686
Shares issued upon warrant exercised	5,350,000	2,179,818	—	(1,532,330)	—	—	647,488
Obligation to issue shares	—	—	4,814,489	351,525	—	—	5,166,014
Share-based compensation	—	—	—	105,741	—	—	105,741
Other comprehensive income	—	—	—	—	94,653	—	94,653
Comprehensive loss for the year	—	—	—	—	—	(21,159,674)	(21,159,674)
Balance, May 31, 2022	66,247,942	$ 26,272,799	$ 5,029,681	$ 6,693,975	$ (191,236)	$ (36,890,558)	$ 914,661
Shares issued for cash, net	35,451,619	1,325,221	—	—	—	—	1,325,221
Shares issued for debt	20,629,665	656,298	—	—	—	—	656,298
Contractual share issuance	12,325,000	4,463,621	(3,516,925)	—	—	—	946,733
Obligation to issue shares	—	—	3,719,417	—	—	—	3,719,417
Shares to be issued	—	—	199,956	—	—	—	199,956
Warrant repricing	—	—		210,973	—	—	210,973
Share-based compensation	—	—	—	195,864	—	—	195,864
Other comprehensive income	—	—	—	—	36,255	—	36,255
Comprehensive loss for the year	—	—	—	—	—	(8,081,723)	(8,081,723)
Balance, May 31, 2023	134,654,226	$ 32,717,939	$ 5,432,166	$ 7,100,812	$ (154,981)	$ (44,972,281)	$ 123,655

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(All Amounts are in US Dollars)

For the Years Ended May 31,	2023	2022
Product revenue	$ 1,245,323	$ 1,200,983
Cost of sales	(1,056,506)	(1,159,672)
	188,817	41,311
EXPENSES		
Corporate development	352,288	339,704
Freight and shipping	346,206	300,699
Consulting fees (Note 15)	1,528,510	1,306,506
Amortization (Note 6)	86,725	55,928
Filing and regulatory fees	24,733	10,035
Loss (income) of joint venture (Note 5)	2,214	(40,965)
Finance expense (Notes 7, 10, 11)	177,095	243,587
Office expense	385,175	157,730
Professional fees	327,927	317,287
Insurance	75,307	80,094
Rent	-	45,502
Foreign exchange	(6,086)	-
Share-based compensation (Notes 13, 14 and 20)	5,072,987	16,253,401
	(8,373,081)	(19,069,508)
Operating loss	(8,184,265)	(19,028,197)
OTHER ITEMS		
Loss on conversion of convertible debenture (note 12)	-	(2,131,477)
Gain on debt settlement	102,542	-
Net Loss for the year	$ (8,081,723)	$ (21,159,674)
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange differences related to presentation currency	36,255	94,653
Comprehensive Loss for the year	$ (8,045,468)	$ (21,065,021)
Net loss per common share		
Basic and Diluted	$ (0.09)	$ (1.00)
Weighted average number of common shares outstanding		
Basic and Diluted	84,990,302	20,960,561

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts are in US Dollars)

For the Years Ended May 31,	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (8,081,723)	$ (21,159,674)
Non-cash expenses:		
Amortization	86,725	55,928
Interest accretion	153,393	225,609
Loss (income) from joint venture	2,214	(40,965)
Loss on refinancing of convertible debenture	-	2,131,477
Gain on debt settlement	(102,542)	-
Share-based compensation	5,072,987	16,253,401
Net change in operating assets and liabilities		
Accounts receivables	36	(96,839)
Inventory	(100,651)	(376,230)
Prepaid expenses	(1,347)	(210,681)
Due to related parties	9,665	24,242
Short term loan	(818)	-
Accounts payable and accrued liabilities	655,562	754,347
CASH FLOWS USED IN OPERATING ACTIVITIES	(2,306,499)	(2,439,385)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	34,541	59,305
Obligation to issue shares	199,956	-
Loan repayments	(3,270)	(4,528)
Lease repayments	(90,785)	(64,115)
Shared issued for cash, net	1,325,221	2,015,875
Shares issued upon warrants exercised	-	647,488
CASH FLOWS FROM FINANCING ACTIVITIES	1,465,663	2,654,025
EFFECTS OF FOREIGN EXCHANGE ON CASH	36,255	69,973
NET DECREASE IN CASH	(804,581)	284,613
CASH – Beginning of the year	1,313,440	1,028,827
CASH – End of the year	$ 508,859	$ 1,313,440
SUPPLEMENTAL NON-CASH INFORMATION		
Shares issued on settlement of convertible debenture	-	2,805,710
Right of use asset and lease liability	668,867	-
Shares issued for debt	656,298	50,200

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**".

Statement of compliance

These consolidated financial statements ("**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Issues Committee ("**IFRIC**"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Going concern

These Financial Statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the year ended May 31, 2023, the Company incurred a comprehensive loss of $8,045,468 (May 31, 2022 - $21,065,021) had an accumulated deficit of $44,972,281 as at May 31, 2023 (May 31, 2022- $36,890,558) and had a working capital deficit $17,989 (May 31, 2022 – surplus of $719,887). 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 and these adjustments could be material.

Basis of consolidation

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

Basis of measurement

These Financial Statements have been prepared on a historical cost basis 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.

Foreign currency

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

Subsidiary Name	Functional Currency	Active/Inactive
Koios Inc.	US Dollar	Active
Cannavated Beverage Co. (BC)	Canadian dollar	Inactive
Cannavated Beverage Corp. (Nevada)	US Dollar	Inactive
Retox Beverage Inc.	Canadian dollar	Inactive

The presentation currency of the financial statements is the US Dollar. Monetary assets and liabilities of the subsidiaries denominated in currencies other than the US dollar are translated into US dollars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Revenues and expenses are translated at average rates throughout the reporting period. All differences are taken to other comprehensive loss and will not be reclassified to profit and loss.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Inventory

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

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Property, and equipment
Property, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed using the methods follows:

Classification	Rate
Equipment	20%
Vehicles	30%
Right of use equipment	Lesser of term of lease and useful life
Right of use office space	Lessor of term of lease and useful life

When assets are disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized within the Consolidated Statement of Operations and Comprehensive Loss. Maintenance and repairs are charged to expense as incurred. Significant expenditures, which increase productivity or extend the useful life of the asset, are capitalized.

Available for use is defined as the point at which the related property, and equipment is operational, including the possession of any requisite licenses. Depreciation commences at the point the assets are available for use.

Share Capital
Share capital, common shares and equity instruments are any contracts that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

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

Warrants
The Corporation measures the fair value of warrants issued using the Black-Scholes Option-Pricing Model. The fair value of each warrant is estimated based on their respective issuance dates considering volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

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

Stock-based compensation

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

Loss per share

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

Income taxes

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

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

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

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

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

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

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

Financial Assets / Liabilities	Classification - IFRS 9
Cash	FVTPL
Accounts receivable	Amortized cost
Loan receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short-term loan	Amortized cost
Vehicle loan	Amortized cost
Due to related party	Amortized cost
Line of credit	Amortized cost

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

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

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

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

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

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

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

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

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

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

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

IFRS 16, Leases
IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed.

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

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

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

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

Equity Accounted Investments

Equity accounted investments are those entities in which the Company has significant influence but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial, and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company. The Company holds a 50% interest in BevCreation LLC.

Future Accounting standards issued

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 Financial Statements

(Expressed in US Dollars)

Significant Accounting Policies, Judgements and Estimation Uncertainty
The preparation of these Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenue and expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the Financial Statements. Actual results could differ materially from those reported.

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

- The provision of deferred tax is based on judgments in applying income tax laws and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The estimated value of the Company's provision of the indemnity to shareholders;
- The valuation of the Company's securities issued to settle amounts payable;
- The valuation and measurement of stock-based compensation;
- The determination of whether the Company will continue as a going concern.
- The determination as to whether the Company has significant influence over an entity or a joint venture.
- Judgement whether an acquisition is a business combination or an asset acquisition.

3. Accounts Receivable

As at	May 31, 2023	May 31, 2022
Accounts receivable	$ 106,421	$ 126,803
Commodity tax receivable	54,564	29,218
	$ 160,985	$ 156,021

4. Inventory

As at	May 31, 2023	May 31, 2022
Raw materials	$ 568,972	$ 378,090
Finished Goods	74,483	164,714
	$ 643,455	$ 542,804

(Expressed in US Dollars)

5. Investment in Joint Venture

On February 18, 2021, the Company together with Beauty Gourmet LLC, a woman's functional beverage Company, 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 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.

Opening balance June 1, 2021	$	45,260
Share of profit from joint venture		40,965
Balance May 31, 2022		86,225
Share of loss from joint venture		(2,214)
Balance May 31, 2023	$	84,011

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

	May 31, 2023	May 31, 2022
Cash	$ 32,459	$ 33,719
Current assets (Inclusive of cash)	71,237	76,954
Long-term assets	144,300	246,249
Long-term liabilities	184,010	40,702
Revenues	774,413	647,561
Expenses (excluding depreciation)	(670,327)	(478,786)
Depreciation	(108,515)	(86,745)
Net (loss) income	(4,429)	81,930

(Expressed in US Dollars)

6. Equipment, Vehicles and Right-of-Use Assets

Cost	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
Balance, June 1, 2021	$ 27,095	$ 18,792	$ 105,506	$ 68,063	$ 219,546
Addition	—	—	—	—	—
Disposal	—	—	—	(68,083)	(68,083)
Balance, May 31, 2022	27,095	18,792	105,506	—	151,393
Addition	—	—	—	668,867	668,867
Balance, May 31, 2023	$ 27,095	$ 18,792	$ 105,506	$ 668,867	$ 820,260

Accumulated Depreciation	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
Balance, June 1, 2021	$ 1,635	$ 12,982	$ 13,425	$ 34,118	$ 62,160
Depreciation	4,192	1,743	27,357	22,636	55,928
Disposal	—	—	—	(56,754)	(56,754)
Balance, May 31, 2022	5,827	14,725	40,782	—	61,334
Depreciation	4,254	1,221	27,356	53,894	86,725
Balance, May 31, 2023	$ 10,081	$ 15,946	$ 68,138	$ 53,894	$ 148,059

Net Book Value	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
May 31, 2022	$ 21,268	$ 4,067	$ 64,724	$ -	$ 90,059
May 31, 2023	$ 17,014	$ 2,846	$ 37,368	$ 614,973	$ 672,201

7. Line of Credit

The Company entered into two credit facilities, which bears an interest rate between 3.58% and 15%. Each draw is to be repaid in equal payments over the following 12 months.

The following is a continuity schedule of Line of Credit as at May 31, 2023:

Balance, May 31, 2021	$ -
Additions	122,000
Interest	20,327
Repayments	(62,695)
Balance, May 31, 2022	79,632
Additions	473,023
Finance expense	88,416
Payments	(438,482)
Balance May 31, 2023	$ 202,589

The Company has provided collateral to the lenders which include all assets of the Company, superior in right to all other security interests.

(Expressed in US Dollars)

8. Accounts payable and accrued liabilities

As at	May 31, 2023	May 31, 2022
Accounts payable	$ 748,470	$ 789,587
Accrued liabilities	347,540	409,464
	$ 1,096,010	$ 1,199,051

9. Short-Term Loans

The short-term loan of $13,968 (C$19,000) (May 31, 2022 - $14,786 (C$19,000)) is non-interest-bearing, due on demand and not collateralized, and is owing to a former related party.

10. Lease Liability

As at May 31, 2023, 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 15% 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 May 31, 2023:

Opening balance June 1, 2021	$ 116,322
Finance expense	21,155
Payments	(64,115)
Balance May 31, 2022	74,362
Additions	668,867
Finance expense	66,127
Payments	(90,785)
Balance May 31, 2023	718,571
Current portion as at May 31, 2023	(85,269)
Long-term portion as at May 31, 2023	$ 633,302

The undiscounted lease liabilities are as follows:

Years ended, May 31,	
2023	$ 36,615
2024	149,023
2025	153,494
2026	158,098
Thereafter	621,226
Total	$ 1,118,456

11. Vehicle Loan

The Company has a loan for the purchase of a vehicle on which is pays $247 per month plus interest at the rate of 8.5% per annum. As at May 31, 2023, the vehicle loan was fully paid.

12. Convertible Debenture

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 bore interest of 15% per annum and matured in November 2021. The principal and interest was convertible into common shares at a conversion price which the 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.

On March 10, 2022, the original Debenture was acquired by a third party and amended to the following terms ("Convertible Debenture Amendment"); the Debenture matured 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 ("**SPW**") that is exercisable to acquire one additional Share at a price of $0.13 for a period of 12 months from issuance.

On March 11, 2022, the Debenture was converted and the Company issued 6,598,823 common shares with a fair value of $1,606,435. The fair value of the warrants was estimated to be $1,199,275 using the Black-Scholes Option Pricing Model with the following assumptions: term of 1 year; expected volatility of 161%; risk-free rate of 1.22%; and expected dividends of zero. The combined fair value was $2,805,710. Immediately prior to conversion, the debenture had a fair value of $674,233 and the Company recorded a loss on conversion of convertible debenture to the Statement of Operations and Comprehensive Loss of $2,131,477.

13. Share capital

The Corporation is authorized to issue an unlimited number of common shares.

On October 19, 2021, the Company consolidated all of its issued and outstanding share capital on the basis of 10 old common shares for 1 new common share. All share and per share amounts have been updated to reflect the share consolidation. On the same date, the Company also changed its ticker symbol from "KBEV" to "FIT".

Share issuances

<u>For the year ended May 31, 2023</u>

On October 3, 2022, the Company completed a private placement and issued 2,000,000 Units for gross proceeds of $73,196 (C$100,000). Each Unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional share at a price of C$0.075 per warrant for a period of five year from closing.

On October 3, 2022, the Company issued 11,500,000 common share pursuant to a debt settlement agreement and settled debt in the amount of $420,875 (C $575,000).

On February 28, 2023, the Company issued 9,129,665 common shares to the CEO and other senior members of management with a fair value of $235,422 and settled debt related to unpaid salaries of $337,964 (C $456,483). The Company recorded a gain on settlement of debt of $102,542.

On February 28, 2023, the Company issued 12,325,000 common shares with a fair value of $4,463,621, pursuant to the satisfaction of certain management and employment milestones. The Company transferred $3,516,888 from obligation to issue shares to share capital.

On April 13, 2023, the Company completed a private placement and issued 33,451,619 Units for gross proceeds of $1,252,026 (C $1,672,581). Each Unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional share at a price of C$0.05 per warrant for a period of two year from closing.

For the fiscal year ended May 31, 2022

On February 4, 2022, the Company closed a non-brokered private placement of 27,443,000 units at a price of C$0.10 per unit for gross proceeds of $2,159,336. 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. The Company paid finders fees and accounting fees of $143,461 in connection with this financing.

On March 11, 2022, the Debenture was converted and the Company issued 6,598,823 common shares with a fair value of $1,606,435. The fair value of the warrants was estimated to be $1,199,275 using the Black-Scholes Option Pricing Model with the following assumptions: term of 1 year; expected volatility of 161%; risk-free rate of 1.22%; and expected dividends of zero. The combined fair value was $2,805,710. Immediately prior to conversion, the debenture had a fair value of $674,233 and the Company recorded a loss on conversion of convertible debenture to the Statement of Operations and Comprehensive Loss of $2,131,477.

On March 16, 2022, pursuant to the terms of a distribution agreement, the Company issued 172,662 common shares with a fair value of $50,220.

On April 8, 2022, the Company issued 3,000,000 common shares in recognition of performance bonuses to the CEO, Vice President and consultant with fair value of $1,167,686.

On April 22, 2022, the Company acquired 100 % of Retox Beverage Corp. and issued 15,000,000 common shares with a fair value of $5,550,307 and issued 15,000,000 warrants with an estimated fair value of $4,263,654 based on the Black-Scholes Option Pricing Model with the following assumptions: Stock price – 0.47; exercise price – 0.175; term of 1 year; expected volatility of 161%; risk-free rate of 2.59%; and expected dividends of zero. Each warrant gave the holder the right to purchase one additional common share at a price of CA$0.175 prior to April 23, 2023.

During the year ended May 31, 2022, the Company issued 5,350,000 common shares upon the exercise of warrants for gross proceeds of $647,488. The Company transferred $1,532,230 from reserve to share capital.

Obligation to issue shares

During the year ended May 31, 2023, the Company estimated, it would be liable to issue up to 53,800,000 (2022 – 64,850,000) common shares to consultants of the Company as payment for performance bonuses, upon achieving certain milestone. As at May 31, 2023, $5,232,210 (May 31, 2022- $5,029,681) of the fair value of the services was recorded as an obligation to issue shares, where the fair value was determined at the time of the grant and expensed over the time it is estimated to reach the milestones. During the year ended May 31, 2023, the Company recorded share-based compensation of $3,719,417,

During the year ended May 31, 2023, the Company received $199,956 (C$272,000) for a private placement that was completed subsequent to the year end.

(Expressed in US Dollars)

14. Contributed Surplus

a) Incentive Stock options

The Company's Incentive Stock Option Plan ("**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

<u>During the year ended May 31, 2023:</u>

On February 27, 2023, the Company granted 6,300,000 stock options with an exercise price of C$0.05 per share expiring on February 27, 2028. The options vested immediately. The fair value of the stock options was estimated to be $151,911 (C $202,877) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 160%; risk-free rate of 3.66%; and expected dividends of zero.

<u>During the year ended May 31, 2022:</u>

On February 14, 2022, the Company granted 150,000 stock options with an exercise price of C$0.23 per share expiring on February 14, 2027. The options vested immediately. The fair value of the stock options was estimated to be $24,165 (C$30,462) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 138%; risk-free rate of 1.71%; and expected dividends of zero.

On March 15, 2022, the Company granted 450,000 stock options with an exercise price of C$0.37 per share expiring on March 15, 2027. The options vest upon the achievement of certain milestones. The total fair value of the stock options was estimated to be $118,017 (C$148,772) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 142%; risk-free rate of 1.94%; and expected dividends of zero. During the year ended May 31, 2022, the Company recognized an expense of $51,812 (C $65,314). During the year ended May 31, 2023, the Company recognized a reversal expense of $8,462 (C$11,581) due to changes in estimation of achievement of the milestones.

The following table reconciles outstanding incentive stock options as at May 31, 2023:

	Number	Weighted Average Exercise Price
Balance, June 1, 2021	663,333	$ 0.80
Granted	600,000	0.34
Balance, May 31, 2022	1,263,333	$ 0.58
Granted	6,300,000	0.05
Balance, May 31, 2023	7,563,333	$ 0.14

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at May 31, 2023.

(Expressed in US Dollars)

		Outstanding			Exercisable	
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
$ 0.80	603,333	July 16, 2025	2.13 years	$ 0.80	603,333	$ 0.80
0.80	20,000	April 22, 2026	2.90 years	0.80	20,000	0.80
0.75	40,000	May 12, 2026	2.95 years	0.75	40,000	0.75
0.23	150,000	February 14, 2027	3.71 years	0.23	150,000	0.23
0.70	450,000	March 15, 2027	3.79 years	0.37	150,000	0.70
0.05	6,300,000	March 15, 2027	4.75 years	0.05	6,300,000	0.05
	7,563,333				7,263,333	

b) Restricted Share Units

The Company has adopted a Restricted Stock Unit ("RSU") plan ("RSU Plan"). The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by certain directors, officers, other key employees and consultants of the Company ("Participants") who, in the judgment of the Board, will be responsible for its future growth and success. RSUs granted pursuant to this RSU Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of RSUs and incentive stock options under the Company's stock option plan.

Under the terms of the plan, RSUs are granted to Participants and the RSUs expire the earlier of 5 years from the date of vesting of the RSU and 10 years from the grant date. Each RSU gives the Participant the right to receive one common share of the Company. The aggregate number of common shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company's incentive stock option plan, shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under all share compensation plans.

On February 27, 2023, the Company granted an aggregate of 2,000,000 RSUs to consultants of the Company. The RSUs vested immediately and grants the holder the right to acquire common share in the capital of the Company underlying each such RSU upon such holder delivering a notice of acquisition to the Company in accordance with the RSU plan for a period of five years from issuance ("Term"). Any unvested RSUs after expiry of the Term will be deemed automatically cancelled without further act or notice by the Company. The RSUs had a fair value of $52,415 (C$70,000), based on the closing price of the Company's common shares on the date of grant.

c) Warrants

The following table summarizes warrant activity:

	Number	Weighted Average Exercise Price
Balance, June 1, 2021	703,160	$ 0.35
Issued	49,041,823	0.21
Exercised	(5,350,000)	0.16
Expired	(703,160)	0.70
Balance, May 31, 2022	43,691,823	$ 0.18
Issued	35,451,619	0.05
Expired	(27,443,000)	(0.25)
Balance, May 31, 2023	51,700,442	$ 0.05

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at May 31, 2023.

(Expressed in US Dollars)

		Outstanding			Exercisable	
Exercise Price	Warrants Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
0.130	4,348,823	March 11, 2023	0.06 years	0.130	4,348,823	0.130
0.175	11,900,000	April 23, 2023	0.19 years	0.175	11,900,000	0.175
0.075	2,000,000	October 3, 2027	0.15 years	0.075	2,000,000	0.075
0.050	33,451,619	April 13, 2025	1.11 years	0.050	33,451,619	0.050
	51,700,442				51,700,442	

On April 11, 2023, the Company extended the expiry date of 11,900,000 warrants from April 22, 2023 to April 22, 2024 and decreased the exercise price from $0.175 to $0.05.

On April 11, 2023, the Company changed the exercise price of 2,000,000 warrants from $0.075 to $0.05.

On February 27, 2023, the Company extended the exercise date of 4,500,000 warrants from March 8, 2023 to March 8, 2024 and repriced 2,038,650 of these warrants from $0.20 to $0.05.

On February 27, 2023, the Company extended the exercise date of 4,348,823 warrants from March 11, 2023 to March 11, 2024 and changed the exercise price from $0.13 to $0.05.

The repricing and exclusion of the 11,900,000 warrants, issued in connection to the acquisition of Retox Beverage Corp. (Note 20), resulted in additional stock-based compensation of $210,973 as these were estimated originally pursuant to IFRS 2 – Share Based Payment. There was no accounting impact for the remaining warrants that were repriced and extended.

Special Warrants

As at February 28, 2023, 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.

(Expressed in US Dollars)

15. Transactions with Related Parties and payments to Key Management

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the year.

	For the year ended May 31, 2023	2022
Expenses		
Consulting fees paid or accrued to CEO	$ 360,000	$ 201,667
Consulting fees paid or accrued to the vice president	240,000	110,000
Consulting fees paid or accrued to a director of the Company	360,000	20,000
Consulting fees paid or accrued to the former CFO	—	—
Accounting and corporate fees paid or accrued to a company controlled by the former CFO	—	8,403
Shares granted for consulting fees or performance bonus	—	778,458
Share based compensation	3,742,047	5,115,805

As at	May 31, 2023	May 31, 2022
Loan receivable from the CEO	100,276	105,276
Obligation to issue shares to the CEO and other key members of management	2,987,858	4,520,042
Due to related parties	203,337	193,672

As at May 31, 2023, the Company is owed $100,276 (May 31, 2022 – $105,276) from the CEO of the Company via a loan receivable. The loan receivable bears interest of 5% per annum, compounded monthly.

As at May 31, 2023, the Company owes $203,337 (May 31, 2022 – $193,672) to related parties or 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.

On February 27, 2023 the Company settled $456,485 in debt through the issuance of Shares of the Company by issuing 9,129,665 Shares of the Company. 3,707,677 shares were issued to the Chris Miller, the Chief Executive Officer, 2,407,371 shares were issued to Sheron Lewis, director and President of Operations, 800,000 were issued to

Josh Luman, director with the remaining shares issued to senior members of management. The settlement of the debt resulted in a gain on debt settlement of $102,542.

On February 27, 2023 the Company issued 4,200,000 Shares to Chris Miller, the Chief Executive Officer of the Company, 2,800,000 Shares to Sheron Lewis, director and President of Operations, 400,000 Shares to Ryon Shack, President of Conventional Sales, 1,000,000 shares to Josh Luman, director and 3,925,000 Shares were issued to five employees and consultants in satisfaction of certain employment and consulting agreements, related to management and employee performance bonuses. Share based compensation related to these shares totaled $4,540,000 which has been recorded over the past two fiscal years and reclassed out of obligation to issue shares, within equity.

Pursuant to the private placement on April 13, 2023, the CEO and other officers and directors subscribed for an aggregate total of 10,710,500 Units of the total 33,451,039 Units issued.

As at May 31, 2023, the Company owed BevCreation $6,323 (May 31, 2022 - $33,610) for processing fees.

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer, Corporate Secretary and the Board of Directors. During the year ended May 31, 2023 and May 31, 2022, no key management personnel were indebted to the Corporation, with the exception of that mentioned above.

16. Commitments and contingencies

The Company, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

17. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, accounts receivable, loan receivable, line of credit, 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 was denominated in Canadian dollars (Note 12). 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.

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.

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.

Fair value measurements of financial assets and liabilities
The Company believes that the recorded values of its accounts receivable, loan receivable, short-term loans, line of credit, vehicle loan, due to related parties, accounts payable and accrued liabilities, approximates their current fair values due to their nature and relatively short maturity dates or durations.

18. 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 may invest all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. The Company continues to use this approach to capital management.

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 business objectives.

19. 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 $23,675 (C$32,219) and remains outstanding.

(Expressed in US Dollars)

20. Acquisition of Retox Beverage Corp.

On April 22, 2022, the Company entered into a Share Exchange Agreement to acquire 100% of Retox Beverage Corp. (“Retox”). Retox is in the business of formulating soft beverages, soda and seltzers. As consideration, the Company issued 15,000,000 units (“Units”) of the Company. Each Unit is comprised of one common share and one common share purchase warrant which entitles the holder thereof to acquire on additional Share of the Company at a price of $0.175 for a period of 12 months from the date of issuance.

The acquisition of Retox does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire Retox.

Purchase Price:		
15,000,000 common shares	$	5,550,307
15,000,000 warrants		4,263,654
Share-based compensation	$	9,813,961

The acquisition was accounted for as a share-based payment as none of the products of Retox have been market tested. Retox was in the early stage of formulation soft beverages, soda and seltzers. At the time of acquisition, the Company was conducting research and was in the processes of formulating soft beverages, soda and seltzers which did not meet the definition of intangible assets. As such, the purchase consideration of $9,813,961 was expensed in the consolidated statements of operations and comprehensive loss during the year ended May 31, 2022.

21. Income Taxes

The Corporation’s income tax rate differs from the statutory rate of approximately 25% (2022 - 23.6%) as follows:

For the year ended May 31,		2023		2022
Pre-tax loss before income taxes	$	(8,081,723)	$	(21,159,674)
Expected income tax expense based on statutory rate		(2,007,142)		(5,603,386)
Non-deductible provisions		1,342,020		4,345,943
Change in deferred tax assets		665,122		1,257,443
Income tax recovery for the year	$	—	$	—

As at May 31, 2023, the Company has accumulated Canadian non-capital losses approximately $18,500,000 (2022 - $15,000,000) for income tax purposes which may be deducted in the calculation of taxable income in future years expiring in 2042. The potential benefit of these non-capital loss carry-forwards has not been recognized in these Financial Statements as it is not considered probable that sufficient future taxable profit will allow the deferred assets to be recovered. Tax attributes are subject to review, and potential adjustment, by tax authorities.

22. Subsequent Events

On June 22, 2023, the Company issued 5,440,000 Units for gross proceeds of $272,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.05 for a period of 24 months from the date of issuance.

On June 28, 2023, the Company issued 2,000,000 common shares pursuant to a RSU conversion.