
KOIOS BEVERAGE CORP.
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2024

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Koios Beverage Corp. ("**Corporation**") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's independent auditor.

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

	February 29, 2024 (Unaudited)	May 31, 2023 (Audited)
<u>ASSETS</u>		
Cash	\$ -	\$ 508,859
Accounts receivable (Note 4)	71,228	160,985
Inventory (Note 5)	118,186	643,455
Prepaid expenses	61,410	193,294
Loan receivable (Note 15)	100,276	100,276
	351,100	1,606,869
Investment in joint venture (Note 6)	-	84,011
Long-term prepaid expense	-	18,734
Equipment, vehicle and right-of-use assets (Note 7)	-	672,201
	\$ 351,100	\$ 2,381,815
<u>LIABILITIES</u>		
Line of credit (Note 8)	\$ 340,897	\$ 202,589
Accounts payable and accrued liabilities (Note 9)	1,149,476	1,096,010
Bank indebtedness	304	-
Short-term loan (Note 10)	28,751	13,968
Short-term lease liability (Note 11)	10,614	85,269
Due to related party (Note 15)	712,443	203,337
Provision for indemnity (Note 19)	23,743	23,685
	2,266,228	1,624,858
Long-term lease liability (Note 11)	-	633,302
	2,266,228	2,258,160
<u>SHAREHOLDERS' EQUITY (DEFICIENCY)</u>		
Share capital (Note 13)	32,970,310	32,717,939
Contributed surplus (Note 14)	7,051,403	7,100,812
Obligation to issue shares (Note 13)	1,455,769	5,432,166
Accumulated other comprehensive loss	(152,572)	(154,981)
Accumulated deficit	(43,240,038)	(44,972,281)
	(1,915,128)	123,655
	\$ 351,100	\$ 2,381,815

Nature of Organization (Note 1)
Commitments and Contingencies (Note 16)
Subsequent Events (Note 20)

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 (DEFICIENCY)
(All Amounts are in US Dollars)

	Number of Common Shares	Amount of Common Shares	Obligation to issue common shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Shareholders' Equity
Balance, June 1, 2022	66,247,942	\$ 26,272,799	\$5,029,681	\$ 6,693,975	\$ (191,236)	\$ (35,890,558)	\$ 914,661
Private placement	11,500,000	73,196	—	—	—	—	73,196
Debt settlement	20,629,665	656,297	—	—	—	—	656,297
Obligation to issue shares	12,325,000	3,541,039	1,349,752	—	—	—	4,890,791
Share-based compensation	—	—	—	265,438	—	—	265,438
Other comprehensive income	—	—	—	—	53,963	—	53,963
Comprehensive loss for the period	—	—	—	—	—	(7,240,183)	(7,240,183)
Balance, February 28, 2023	110,702,607	30,543,331	6,379,433	6,959,413	(137,273)	\$ (44,130,741)	(385,837)
Balance, June 1, 2023	134,654,226	\$ 32,717,939	\$ 5,432,166	\$ 7,100,812	\$ (154,981)	\$ (44,972,281)	\$ 123,655
Private placement	5,440,000	199,956	(199,956)	—	—	—	—
RSU conversion	2,000,000	52,415	—	(52,415)	—	—	—
Obligation to issue shares	—	—	(3,776,441)	—	—	—	(3,776,441)
Share based compensation	—	—	—	3,006	—	—	3,006
Other comprehensive loss	—	—	—	—	2,409	—	2,409
Comprehensive income for the period	—	—	—	—	—	1,732,243	1,732,243
Balance, February 29, 2024	142,094,226	\$ 32,970,310	\$ 1,455,769	\$ 7,051,403	\$ (152,572)	\$ (43,240,038)	\$ (1,915,128)

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

	For the three months ended,		For the nine months ended,	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Product revenue	(5,072)	388,553	338,157	905,142
Cost of sales	(109,026)	(385,178)	(713,040)	(893,684)
	<u>(114,098)</u>	<u>3,375</u>	<u>(374,883)</u>	<u>11,458</u>
EXPENSES				
Corporate development	5,729	72,533	14,078	357,612
Freight and shipping	-	105,503	58,365	279,093
Consulting fees (Note 15)	690,840	444,815	1,094,278	1,254,695
Amortization (Note 7)	25,084	38,660	58,682	65,226
Filing and regulatory fees	-	13,352	433	17,676
Loss of joint venture (Note 6)	60,162	14,145	84,011	6,044
Finance expense (Notes 8, 11)	54,378	72,304	128,752	99,202
Office expense	30,002	75,194	106,283	310,575
Professional fees	40,464	72,877	99,431	249,086
Insurance	-	27,456	17,866	57,441
Foreign exchange	25,314	-	25,314	-
Gain on debt settlement	-	(103,111)	-	(103,111)
Stock based compensation (Note 13)	(4,158,046)	1,709,922	(3,773,434)	4,658,102
Operating loss	<u>3,226,073</u>	<u>(2,540,275)</u>	<u>2,032,383</u>	<u>(7,240,183)</u>
OTHER ITEMS				
Gain on lease termination (Note 11)	74,743	-	74,743	-
Income (loss) from operations	<u>3,186,718</u>	<u>(2,540,275)</u>	<u>1,732,243</u>	<u>(7,240,183)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences related to presentation currency	38,041	49,327	2,409	53,963
Comprehensive income (loss) for the period	<u>3,224,759</u>	<u>(2,490,948)</u>	<u>1,734,652</u>	<u>(7,186,220)</u>
Net loss per common share				
Basic and Diluted	<u>0.02</u>	<u>(0.03)</u>	<u>0.01</u>	<u>(0.10)</u>
Weighted average number of common shares outstanding				
Basic and Diluted	<u>142,094,226</u>	<u>79,986,327</u>	<u>139,127,547</u>	<u>73,460,280</u>

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

For the Periods Ended,

	February 29, 2024	February 28, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	1,732,243	(7,240,183)
Non-cash expenses:		
Amortization	58,682	65,225
Interest accretion	127,889	90,441
Loss from joint venture	84,011	6,044
Share-based compensation	(3,773,435)	4,656,039
Bad debt	53,558	-
Gain on forgiveness of accounts payable	13,466	-
Foreign exchange	14,871	-
Gain on termination of lease obligation	(74,743)	-
Gain on debt settlement	-	(103,111)
Net change in operating assets and liabilities		
Accounts receivables	36,199	(3,598)
Inventory	525,269	145,433
Prepaid expenses	150,618	159,374
Due to related parties	509,106	(16,845)
Accounts payable and accrued liabilities	17,257	637,407
CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(525,039)</u>	<u>(1,603,774)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	49,994	147,634
Private placement	-	73,196
Vehicle loan repayments	-	(2,716)
Obligation to issue shares	-	500,190
Lease repayments	(36,527)	(31,472)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>13,467</u>	<u>686,832</u>
EFFECTS OF FOREIGN EXCHANGE ON CASH	<u>2,409</u>	<u>53,963</u>
NET DECREASE IN CASH	(509,163)	(862,979)
CASH – Beginning of the year	508,859	1,313,440
CASH – End of the period	<u>(304)</u>	<u>450,461</u>

KOIOS BEVERAGE CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023
(Expressed in US Dollars)

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 1890 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. 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 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, 2023.

Going concern

These Financial Statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the period ended February 29, 2024, the Company incurred a comprehensive income (loss) of \$1,734,652 (February 28, 2023 – (\$4,695,272)) had an accumulated deficit of \$43,240,038 as at February 29, 2024 (May 31, 2023 - \$44,972,281) and had a working capital deficit \$1,915,128 (May 31, 2023 – working capital deficit - \$17,989). 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.

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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.

2. Summary of Significant Accounting Policies

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited condensed interim consolidated financial statements for the year ended May 31, 2023.

3. 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.

KOIOS BEVERAGE CORP.
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4. Accounts Receivable

As at	February 29, 2024	May 31, 2023
Accounts receivable	\$ 13,025	\$ 106,421
Commodity tax receivable	58,203	54,564
	<u>\$ 71,228</u>	<u>\$ 160,985</u>

5. Inventory

As at	February 29, 2024	May 31, 2023
Raw materials	\$ 84,303	\$ 568,972
Finished Goods	32,883	74,483
	<u>\$ 118,186</u>	<u>\$ 643,455</u>

6. 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.

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.

During the period ended February 29, 2024, BevCreation ceased operations due to an overall lack of profitability and the Company reduced its equity investment to \$Nil (May 31, 2023 - \$84,011).

Balance May 31, 2022	86,225
Share of profit from joint venture	<u>(2,214)</u>
Balance May 31, 2023	84,011
Share of profit from joint venture	<u>(84,011)</u>
Balance February 29, 2024	<u>\$ -</u>

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:

	February 29, 2024	May 31, 2023
Cash	\$ -	\$ 32,459
Current assets (Inclusive of cash)	-	71,237
Long-term assets	-	144,300
Long-term liabilities	-	184,010
Revenues	-	774,413
Expenses (excluding depreciation)	-	(670,327)
Depreciation	-	(108,515)
Net income (loss)	-	(4,429)

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

Cost	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
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
Disposal	-	(18,792)	(105,506)	(686,867)	(811,165)
Balance, February 29, 2024	\$ 27,095	\$ -	\$ -	\$ -	\$ 27,095

Accumulated Depreciation	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
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
Depreciation	17,014	214	13,678	27,776	58,682
Disposal	-	(16,159)	(81,816)	(81,670)	(179,645)
Balance, February 29, 2024	\$ 27,095	\$ -	\$ -	\$ -	\$ 27,095

Net Book Value	Equipment	Vehicles	Right-of-Use Equipment	Right-of-Use Office Space	Total
May 31, 2023	\$ 17,014	\$ 2,846	\$ 37,368	\$ 614,973	\$ 672,201
February 29, 2024	\$ -	\$ -	\$ -	\$ -	\$ -

During the period ended February 29, 2024, the Company defaulted on all of its leases. The Company vacated its office lease and returned the leased equipment to the lessor. The Company recognized a gain on lease termination of \$74,743.

During the period ended February 29, 2024, the Company's vehicle and equipment was sold for gross proceeds of \$10,523 and the Company recorded a gain on disposition of \$7,889.

8. 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. During the period ended February 29, 2024, the Company defaulted on the lines of credit.

The following is a continuity schedule of Line of Credit as at February 29, 2024:

Balance, May 31, 2022	\$ 79,632
Additions	473,023
Finance expense	88,416
Payments	(438,482)
Balance May 31, 2023	\$ 202,589
Additions	188,613
Finance expense	88,314
Payments	(138,619)
Balance February 29, 2024	\$ 340,897

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

9. Accounts payable and accrued liabilities

As at	February 29, 2024	May 31, 2023
Accounts payable	\$ 565,272	\$ 748,470
Accrued liabilities	584,204	347,540
	\$ 1,149,476	\$ 1,096,010

10. Short-Term Loans

The short-term loan of \$14,042 (C\$19,000) (May 31, 2023 - \$13,968 (C\$19,000)) is non-interest-bearing, due on demand and not collateralized, and is owing to a former related party.

11. Lease Liability

As at February 29, 2024, 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%.

During the period ended February 29, 2024, the Company defaulted on all of its Leases. The Company vacated its office lease and returned the leased equipment to the lessor. The Company recognized a gain on lease termination of \$74,743.

The following is a continuity schedule of Lease liabilities as at February 29, 2024:

Balance May 31, 2022	\$ 74,362
Additions	668,867
Finance expense	66,127
Payments	(90,785)
Balance May 31, 2023	718,571
Finance expense	39,575
Accounts payable	(22,743)
Payments	(36,527)
Lease termination	(688,262)
Balance February 29, 2024	10,614

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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 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 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 (“**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.

Share issuances

For the period ended February 29, 2024

On June 22, 2023, the Company issued 5,440,000 Units for gross proceeds of \$199,956 (C \$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 C \$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 with a fair value of \$52,415 (C\$ 70,000).

For the year ended May 31, 2023

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.

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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.

Obligation to issue shares

During the period ended February 29, 2024, the Company estimated, it would be liable to issue up to 49,800,000 (2023 – 50,600,000) common shares to consultants of the Company as payment for performance bonuses, upon achieving certain milestone. As at February 29, 2024, \$1,455,769 (May 31, 2023 - \$5,232,210) 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. As at February 29, 2024, the Company re-evaluated the probabilities and likelihood of achieving certain operating milestones and the Company reversed previously recognized share-based compensation of \$3,776,441 (May 31, 2023 – share based compensation of \$3,719,417)

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.

During the year ended May 31, 2023:

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.

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The following table reconciles outstanding incentive stock options as at February 29, 2024:

	Number	Weighted Average Exercise Price
Balance, May 31, 2022	1,263,333	\$ 0.58
Granted	6,300,000	0.05
Balance, May 31, 2023 and February 29, 2024	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 February 29, 2024.

Exercise Price	Options Outstanding	Expiry Date	Outstanding		Exercisable	
			Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
\$ 0.80	603,333	July 16, 2025	1.88 years	\$ 0.80	603,333	\$ 0.80
0.80	20,000	April 22, 2026	2.64 years	0.80	20,000	0.80
0.75	40,000	May 12, 2026	2.70 years	0.75	40,000	0.75
0.23	150,000	February 14, 2027	3.46 years	0.23	150,000	0.23
0.70	450,000	March 15, 2027	3.54 years	0.37	150,000	0.70
0.05	6,300,000	March 15, 2027	4.50 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. During the period ended August 31, 2023, 2,000,000 RSUs were converted into common shares of the Company and the Company transferred \$52,415 (C\$70,000) from reserve to share capital.

c) Warrants

The following table summarizes warrant activity:

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	Number	Weighted Average Exercise Price
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
Issued	5,440,000	0.05
Balance, February 29, 2024	57,140,442	\$ 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 February 29, 2024.

Exercise Price	Warrants Outstanding	Expiry Date	Outstanding		Exercisable	
			Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
0.130	4,348,823	March 11, 2024	0.02 years	0.130	4,348,823	0.130
0.175	11,900,000	April 23, 2024	0.15 years	0.175	11,900,000	0.175
0.300	4,500,000	March 8, 2024	0.03 years	0.300	4,500,000	0.300
0.075	2,000,000	October 3, 2027	3.60 years	0.075	2,000,000	0.075
0.050	33,451,619	April 13, 2025	1.12 years	0.050	33,451,619	0.050
0.050	5,440,000	June 22, 2025	1.32 years	0.050	5,440,000	0.050
	61,640,442				61,640,442	

Special Warrants

As at February 29, 2024 and May 31, 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.

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 period ended, February 29, 2024 February 28, 2023	
Expenses		
Consulting fees paid or accrued to CEO	\$ 270,000	\$ 270,000
Consulting fees paid or accrued to the vice president	180,000	180,000
Consulting fees paid or accrued to a director of the Company	180,000	360,000
Share based compensation	-	2,987,858
As at	February 29, 2024	May 31, 2023
Loan receivable from the CEO	100,276	100,276

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Obligation to issue shares to the CEO and other key members of management	847,458	2,987,858
Due to related parties	716,956	176,827

As at February 29, 2024, the Company is owed \$100,276 (May 31, 2023 – \$100,276) from the CEO of the Company via a loan receivable. The loan receivable bears interest of 5% per annum, compounded monthly.

As at February 29, 2024, the Company owes \$716,956 (May 31, 2023 – \$206,865) 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.

As at February 29, 2024, the Company owed BevCreation \$4,513 (May 31, 2023 - \$6,323) 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 period ended February 29, 2024 and year ended May 31, 2023, 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.

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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.

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19. Provision for Indemnity

Flow-Through Exploration Expenditures

During the period ended August 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 \$23,743 (C\$32,219) and remains outstanding.

20. Subsequent events

On March 19, 2024, the Company entered into a non-binding letter of intent (“LOI”) that outlines the sale of the Company’s wholly owned subsidiary, Koios Inc.