American Aires Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of American Aires Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

AMERICAN AIRES INC.
Condensed Consolidated Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

As at		June 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		**$ 301,961**	$ 196,103
Prepaid and sundry receivable	(note 20)	**524,095**	410,000
Accounts receivable		**41,466**	-
Inventory		**284,098**	509,825
		1,151,620	1,115,927
Non-current assets			
Furniture and equipment	(note 5)	**15,700**	20,608
Intellectual property	(note 4)	**320,357**	384,428
		336,057	405,036
Total assets		**$ 1,487,677**	$ 1,520,963
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(note 17)	**$ 2,440,448**	$ 1,896,033
Deferred revenue		**229,527**	220,775
Provision for sales returns		**10,329**	20,502
Working capital loan payable	(note 8)	**316,396**	480,170
E-commerce platform loan payable	(note 9)	**564,566**	174,710
Grid promissory note payable	(note 11)	**230,911**	-
		3,792,177	2,792,190
Non-current liabilities			
Government loan payable	(note 6)	**60,000**	60,000
Promissory note payable	(note 10)	**-**	553,753
Grid promissory note payable	(note 11)	**-**	513,309
Convertible Debenture	(note 13)	**1,629,670**	-
		1,689,670	1,127,062
Total Liabilities		**5,481,847**	3,919,252
Shareholders' equity			
Share capital	(note 14)	**16,081,667**	16,048,006
Contributed surplus		**7,395,759**	6,136,624
Accumulated other comprehensive loss		**(260,344)**	(174,053)
Deficit		**(27,211,251)**	(24,408,865)
Total shareholders' equity		**(3,994,170)**	(2,398,288)
Total liabilities and shareholders' equity		**$ 1,487,677**	$ 1,520,964

Nature of Operations and Going Concern (note 1)
Subsequent Events (Note 22)

Approved on behalf of the Board of Directors:

"Dimitry Serov"
Director

"Drew Green"
Director

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

AMERICAN AIRES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	**2023**	2022
		(note 23)		(note 23)
Revenue				
Sales	**$ 1,925,640**	$ 1,497,809	**$ 3,413,012**	$ 2,186,312
Cost of sales (note 21)	**(790,894)**	(872,285)	**(1,386,679)**	(1,222,704)
Gross margin	**1,134,746**	625,524	**2,026,333**	963,608
Expenses				
Advertising and promotion	**824,196**	544,318	**1,487,920**	946,811
Marketing (note 17)	**489,651**	427,801	**926,557**	830,850
Consulting fees (note 17)	**262,246**	120,024	**451,183**	420,665
Interest charges (notes 7 to 13)	**263,767**	125,996	**455,375**	179,703
Equity-based finance charge (notes 10,13)	**923,672**	-	**923,672**	176,000
Office and general	**97,818**	116,517	**171,117**	219,917
Professional fees	**96,387**	76,196	**188,050**	224,308
Rent expense	**535**	2,802	**4,759**	10,632
Salaries and benefits (note 17)	**78,540**	126,814	**146,229**	224,665
Travel expense	**4,878**	1,249	**4,878**	8,745
Stock-based compensation (notes 14,16)	**-**	16,328	**-**	113,176
Depreciation (note 4 and 5)	**34,489**	32,985	**68,979**	65,571
	3,076,179	1,591,031	**4,828,719**	3,421,044
Net loss for the period	**(1,941,433)**	(965,507)	**(2,769,596)**	(2,457,436)
Restatement due to valuation estimate adjustment (note 23)	**-**	16,328	**-**	(203,491)
Net loss for the period and restated net loss for the comparative period	**(1,941,433)**	(949,179)	**(2,802,386)**	(2,660,927)
Other comprehensive loss				
Foreign exchange	**(9,902)**	2,921	**(86,291)**	24,501
Restated net loss and comprehensive loss for the period	**$ (1,951,366)**	$ (962,586)	**$(2,888,677)**	$(2,432,935)
Basic and diluted net loss per share (note 19)	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Weighted average number of common shares outstanding, basic and diluted (note 19)	**163,027,075**	158,724,809	**160,935,342**	156,941,558

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

AMERICAN AIRES INC.
Condensed Consolidated Interim Statements of Changes in Shareholders’ Equity (Unaudited)
(Expressed in Canadian Dollars)

		Number of Shares	Share Capital Amount	Contributed Surplus	Deficit	OCI/(L) (Note A)	Total
Balance, December 31, 2021		**154,365,225**	**$15,791,739**	**$ 5,556,624**	**$(20,500,016)**	**$ -**	**$ 848,347**
Private placement, net of costs	(note 14)	3,050,000	258,950	-	-	-	258,950
Issuance of warrants	(notes 14,15)	-	(200,425)	200,425	-	-	-
Issuance of finders warrants	(notes 14,15)	-	(12,290)	12,290	-	-	-
Stock-based compensation	(notes 14,16)	491,228	46,667	113,176	-	-	159,843
Exercise of options	(notes 14,16)	850,000	134,470	(49,470)	-	-	85,000
Issuance of warrants in connection to debt	(note 10)	-	-	176,000	-	-	176,000
Net loss for the period		-	-	-	(2,457,436)	-	(2,457,436)
Other comprehensive gain for the period		-	-	-	-	24,501	24,501
Balance, June 30, 2022		**58,756,453**	**$16,019,111**	**$ 6,009,045**	**$(22,957,452)**	**$ 24,501**	**$ (904,795)**
Restatement due to valuation estimate adjustment (note 23)		-	28,895	127,579	(203,491)	-	(47,017)
Restated Balance, June 30, 2022		**158,756,453**	**$16,048,006**	**$ 6,136,624**	**$(23,160,943)**	**$ 24,501**	**$ (951,812)**
Balance, December 31, 2022		**158,756,453**	**$16,048,006**	**$ 6,136,624**	**$(24,408,865)**	**$ (174,053)**	**$(2,398,288)**
Private placement, net of costs	(note 14)	7,844,000	369,124	-	-		369,124
Issuance of warrants	(notes 14,15)	-	(316,898)	316,898	-	-	-
Issuance of finders warrants	(notes 14,15)	-	(18,565)	18,565	-	-	-
Issuance of warrants in connection to debt	(note 13)	-	-	923,672	-	-	923,672
Net loss for the period		-	-	-	(2,802,386)	-	(2,802,386)
Other comprehensive loss for the period		-	-	-	-	(86,291)	(86,291)
Balance, June 30, 2023		**166,600,453**	**$16,081,667**	**$ 7,395,759**	**$(27,211,251)**	**$ (260,344)**	**$(3,994,170)**

Note A: OCI/(L) = Other Comprehensive Income/(Loss)

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

AMERICAN AIRES INC.
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

For the Six Months Ended June 30,		2023	2022
			(note 22)
Operating activities			
Net loss and comprehensive loss for the period	(note 23)	**$ (2,888,677)**	$ (2,432,935)
Depreciation		**68,979**	65,571
Stock-based compensation	(note 23)	**-**	139,667
Equity-based finance charges	(note 23)	**923,672**	353,000
Interest expense		**455,375**	179,703
Non-cash working capital items:			
Accounts receivable		**(41,466)**	(1,440)
Prepaid and sundry receivable		**(114,095)**	100,594
Inventory		**225,727**	66,128
Deferred revenue		**8,752**	12,947
Accounts payable and accrued liabilities		**544,415**	1,241,149
Provision for sales returns		**(10,173)**	-
		(827,490)	(275,616)
Investing activities			
Acquisition of furniture and equipment		**-**	(20,448)
Proceeds on disposition of assets		**-**	1,128
		-	(19,320)
Financing activities			
Proceeds from issuance of shares		**369,124**	343,600
Proceeds from promissory note		**-**	500,000
Proceeds from grid promissory note		**-**	100,000
Proceeds from e-commerce platform loan		**670,000**	587,700
Proceeds from other loan		**150,000**	-
Proceeds from convertible debenture		**305,500**	-
Repayments on marketing loan payable		**-**	(152,603)
Repayments on working capital loan payable		**(161,637)**	(468,487)
Repayments on e-commerce platform loan		**(280,144)**	(255,909)
Interest paid		**(119,493)**	(160,732)
		933,349	493,569
Net change in cash		**105,859**	198,634
Cash, beginning of the year		**196,103**	275,696
Cash, end of the year		**$ 301,961**	$ 474,330
Supplemental Disclosure of Non-Cash Transactions			
Accounts payable and accrued liabilities settled through loan payable		**-**	927,914

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

1. Nature of Operations and Going Concern

American Aires Inc. (the "Company") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, unit 100, Vaughan, Ontario, L4K 0C3. The Company is engaged in the business of production, distribution and sales of electromagnetic protection devices.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of $27,211,251 as of June 30, 2023 (December 31, 2022 - $24,408,865) and incurred a loss of $2,802,386 for the six months ended June 30, 2023 (June 30, 2022 - $2,660,927). The Company had a working capital deficiency of $2,640,557 as at June 30, 2023 (December 31, 2022 – working capital deficiency of $1,676,262).

Management has taken steps to improve the Company's financial position, including the implementation of cost-cutting measures, capital-raising efforts, and the exploration of strategic alternatives.

The Company's ability to continue as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, obtain additional financing, and ultimately achieve profitable operations. There can be no assurance that the Company will be successful in these efforts. If the Company is unable to generate sufficient cash flows from operations, obtain additional financing or achieve profitable operations, it may be required to curtail or cease operations, which could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The condensed consolidated interim financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing financing and or capital, the Company's assets may not be realized or its liabilities get discharged at their carrying amounts and these differences could be material.

2. Basis of Presentation

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements are using the accrual basis of accounting, except for cash flow information. In addition, these condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended December 31, 2022, except that they do not include all the disclosures required for the annual audited consolidated financial statements.

In the preparation of these condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 23, 2023.

Accounting Standards Issued and Adopted

i. In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook in April 2020. The amendments clarify the requirements for classifying liabilities as either current or non-current by specifying the conditions which exist at the end of the reporting period that determine if a right to defer settlement of a liability exists. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the condensed consolidated interim financial statements upon adoption of this policy.

ii. In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" which were incorporated into Part I of the CPA Canada Handbook in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose “significant” accounting policies under IAS 1 with a requirement to disclose “material” accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the condensed consolidated interim financial statements upon adoption of this policy.

iii. In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 Income Taxes which were incorporated into Part I of the CPA Canada Handbook in September 2021.The amendments require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities. The amendments are effective on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the condensed consolidated interim financial statements upon adoption of this policy.

3. Financial Instruments and Risk Management

Fair Values

The carrying value of all of the Company’s financial instruments (assets and liabilities) approximate their fair values due to the short-term maturity of these financial instruments.

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk). Risk management is carried out by the Company’s management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfil its payment obligations. The Company’s credit risk is primarily attributable to cash and cash equivalents and prepaid and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are in accounts at reputable financial institutions, from which the risk of loss is remote. The Company’s customer base is well diversified with no reliance on any one client. Sundry receivables consist primarily of advances to the Company’s supplier of its electromagnetic protection devices. The Company has a long relationship with the supplier and assesses the risk of loss as low.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether due to the general state of the economy or conditions specific to the Company. As at June 30, 2023, the Company had cash and cash equivalents of $301,961 (December 31, 2022 - $196,103) to settle current liabilities of $3,792,177 (December 31, 2022 - $2,792,190). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not yet generate profits, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash. The following table shows the remaining contractual maturities of financial liabilities as at June 30, 2023 and December 31, 2022, including the estimated interest and royalty payments of $559,258 (December 31, 2022 - $587,772). It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Expressed in Canadian Dollars)

June 30, 2023	**Carrying amount**	**Contractual cash flows**	**Current**	**Long term**
Accounts payable & accrued liabilities	$ 2,440,448	$ 2,440,448	$ 2,440,448	$ -
Government loan	60,000	66,000	-	66,000
Current loans	1,111,872	1,282,539	1,282,539	-
Long term loans	1,629,670	2,018,262	204,834	1,813,428

December 31, 2022	**Carrying amount**	**Contractual cash flows**	**Current**	**Long term**
Accounts payable & accrued liabilities	$ 1,896,033	$ 1,896,033	$ 1,896,033	$ -
Government loan	60,000	66,000	-	66,000
Current loans	654,880	672,180	672,180	-
Long term loans	1,067,062	1,637,644	359,738	1,277,906

Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest Rate Risk

The Company’s borrowings are at fixed rates of interest. Although it is not exposed to interest rate risk on its current borrowings, because of its heavy reliance on borrowing there is a risk that future costs of borrowing will increase if interest rates rise further.

(ii) Foreign Exchange Risk

The Company's functional currency is the United States Dollar and it transacts all its sales and major purchases primarily in that currency. To fund its operations, the Company maintains United States Dollar, Canadian Dollar, British Pound and Euro denominated bank accounts, containing sufficient funds to support monthly forecasted cash outflows. Management does not hedge its foreign exchange risk. As at June 30, 2023, a 5% fluctuation in the foreign exchange rate would have an impact of approximately $91,711 (December 31, 2022 - $43,837) in the Company's condensed consolidated interim statements of loss and comprehensive loss.

4. Intellectual Property

Balance, December 31, 2021	**$ 512,571**
Depreciation	(128,143)
Balance, December 31, 2022	**$ 384,428**
Depreciation	(64,072)
Balance, June 30, 2023	**$ 320,357**

5. Furniture and Equipment

Cost	**Furniture and Fixtures**	**Computer Equipment**	**Total**
Balance, December 31, 2021	-	16,197	16,197
Additions	1,812	18,636	20,448
Dispositions	-	(1,770)	(1,770)
Balance, December 31, 2022	**1,812**	**33,063**	**34,875**
Additions	-	-	-
Dispositions	-	-	-
Balance, June 30, 2023	**$ 1,812**	**$ 33,063**	**$ 34,875**

(Expressed in Canadian Dollars)

Accumulated Depreciation	Furniture and Fixtures		Computer Equipment		Total	
Balance, December 31, 2021		-		4,693		4,693
Depreciation		181		10,035		10,216
Dispositions		-		(642)		(642)
Balance, December 31, 2022		**181**		**14,086**		**14,267**
Depreciation		163		4,744		4,907
Dispositions		-		-		-
Balance, March 31, 2023	**$**	**344**	**$**	**18,830**	**$**	**19,175**

Carrying Value	Furniture and Fixtures		Computer Equipment		Total	
At December 31, 2022	$	1,630	$	18,977	$	20,608
At March 31, 2023	**$**	**1,467**	**$**	**14,233**	**$**	**15,700**

6. Government Loan

As a response to COVID-19, the Canadian Federal government introduced the CEBA for businesses that met various eligibility requirements. The purpose of the CEBA loan was to support businesses and employers to meet their non-deferrable expenses. The loan is interest free until December 31, 2023 and there is a forgivable portion of $20,000 if repaid on or before December 31, 2023 after which the unpaid balance is subject to interest of 5% per annum and the loan is due on December 31, 2025. The Company has not recognized any forgiveness revenue in the consolidated statement of loss and comprehensive loss in connection with this loan, as it has determined the full amount of the loan will be repayable.

7. Marketing Loan Payable

On June 9, 2021, the Company obtained a working capital loan. The terms of the agreement required the Company to make daily repayments based on 20% of daily sales. The implied interest rate was 12% per annum if repaid over a one-year term. Advances taken were subject to a 6% discount, provided that no event of default occurs throughout the term of the arrangement. On June 17, 2022, the Company entered into a revenue share agreement with the same lender whereby on June 29, 2022 it received an advance of $543,887, comprising a new advance of $500,000 and the unpaid balance of the 2021 advance of $43,887. This total amount repayable was $608,887 resulting in a financing charge of $65,000. Repayments were made on a daily basis based on 20% of the Company's sales. The advance and finance charge were repaid in full by November 21, 2022 and there have been no new transactions with this lender. The annualized interest rate on this advance is upwards of 30%. The exact interest amount and therefore rate cannot be determined as there is insufficient information to amortize repayments between principal and interest. The Company recognized interest expense totaling $nil in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2023 (six months ended June 30, 2022 - $17,349). The following is a continuity of the marketing loan payable:

Balance, December 31, 2021	**$**	**149,534**
Eligible Advances		500,000
Repayments		(716,992)
Interest		67,458
Balance, December 31, 2022 and June 30, 2023	**$**	**-**

8. Working Capital Loan Payable

In calendar years 2022 and 2021, the Company entered into a series of working capital loan facility agreements whereby the lender pays select invoices on the Company's behalf, with the ensuing debt repayable after a period of up to 120 days, in 30-day increments at the approval of the lender at a rate of 1% for each 30-day period. During the six months ended June 30, 2023, the lender paid invoices on behalf of the Company amounting to $nil (six months ended June 30, 2022 - US$370,926/CAD$471,027) for which the Company made repayments of principal totaling US$120,000/CAD$161,637 (2022 – both principal and interest of US$378,147/CAD $492,310). Invoices paid by the lender on behalf of the Company have been included within changes in accounts payable and accrued liabilities in the condensed consolidated interim statements of cash flows. The Company recognized interest expense totaling $nil in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended March 31, 2023 (six months ended June 30, 2022 - $23,823). The following is a continuity of the working capital loan payable:

(Expressed in Canadian Dollars)

Balance, December 31, 2021	**$**	**53,510**
Debt Issued		471,027
Repayments		(625,764)
Interest		30,351
Foreign Exchange		51,046
Balance, December 31, 2022	**$**	**480,170**
Repayments		(161,637)
Foreign Exchange		(2,137)
Balance, June 30, 2023	**$**	**316,396**

9. E-commerce platform loan payable

In calendar years 2022 and 2023, the Company received a series of working capital advances from its e-commerce service provider. Under the terms of the agreements, the Company were to remit amounts totaling $886,850 (related to 2022 advances) and $743,700 (related to 2023 advance) as full repayment for principal and implied interest on the advances. Payments are required to be made daily based on a percentage (varies between 8% and 17% depending on the advance) of the Company's daily sales until such time that the advances are repaid in full. The financing charge in the amount of $91,000 related to the paid portion of the loan has been recorded as interest expense in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2023 (six months ended June 30, 2022 - $56,669). The annualized interest rate on these advances is upwards of 27%. The exact interest amount and therefore rate cannot be determined as there is insufficient information to amortize repayments made between principal and interest. The following is a continuity of the e-commerce platform loan payable:

Balance, December 31, 2020 and 2021	**$**	**-**
Advances		792,500
Repayments		(679,709)
Interest		61,919
Balance, December 31, 2022	**$**	**174,710**
Advances		670,000
Repayments		(371,144)
Interest		91,000
Balance, June 30, 2023	**$**	**564,566**

10. Promissory note payable

On February 7, 2022, the Company entered into a loan agreement with a related party (Note 17) whereby the lender advanced $500,000 via a promissory note. The maturity date of the loan is May 7, 2024. The rate of interest is 12% per annum. The loan is secured by a general security interest over the assets of the Company. The Company has undertaken, among other things, to not sell, lease or otherwise dispose of its assets, other than in the normal course, without prior written consent of the note holder. In connection with this loan, the Company issued the lender share purchase warrants to purchase up to 5,000,000 common shares of the Company exercisable at a price of $0.10 per share for a period of three years from the date of issue. A fair value of $353,000 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095, expected volatility of 130%, a risk-free rate of return of 1.43% and an expected life of 3 years. The fair value of warrants issued has been accounted for as an equity-based finance charge (as it is not related to raising capital) and expensed in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2022.

During the six months ended June, 2023, the Company incurred interest expense of $26,301, of which $1,479 was unpaid as at June 30, 2023 (six months ended June 30, 2022 - $23,507, unpaid as at June 30, 2022, and a financing fee of $20,000 which was deducted from the initial disbursement) and all have been recorded as interest expense in the respective condensed consolidated interim statements of loss and comprehensive loss. The unpaid cumulative interest of $1,479 has been recorded as part of accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position as at June 30, 2023.

(Expressed in Canadian Dollars)

On June 9, 2023, the promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $578,575 which includes the entire $500,000 principal balance and $78,575 cumulative accrued interest. The unpaid interest of $1,479 mentioned in the paragraph above represents the accrued interest for the stub period between June 1, 2023 to June 9, 2023 and there is no principal balance outstanding. The following is a continuity of the promissory note payable:

Balance, December 31, 2021	**$**	**-**
Advances		500,000
Interest		53,753
Balance, December 31, 2022	**$**	**553,753**
Conversion into convertible debenture		(578,575)
Interest		26,301
Balance, June 30, 2023	**$**	**1,479**

11. Grid promissory note payable

The Company issued a grid promissory note dated May 26, 2022, amended on August 12, 2022 and December 7, 2022 with an arm's length lender for advances up to $500,000 (in $100,000 increments as needed). The loan matures on February 28, 2024 and bears interest at a rate of 8% per annum. In addition, the Company has agreed to pay a monthly royalty of 3.5% of net sales for every $100,000 loaned, subject to a maximum monthly royalty of $10,000 per $100,000. The royalty will exist until the loan is repaid in full. On January 24, 2023, the lender converted the outstanding unpaid accrued royalty expense of $119,738 as of December 31, 2022 into a new advance by way of a non-cash conversion. During the six months ended June 30, 2023, the Company incurred interest expense of $17,896 ($1,911 unpaid as at March 31, 2023) and royalty expense of $270,000 ($20,000 unpaid as at June 30, 2023) and both have been recorded as interest expense in the condensed consolidated interim statements of loss and comprehensive loss. The unpaid cumulative interest and royalty of $21,911 has been added to the principal amount of the loan. The loan has been classified as a current liability due to its maturity within 12 months of June 30, 2023 (December 31, 2022 – non-current liability).

On June 9, 2023, the grid promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $559,294 which includes $302,018 principal balance, $230,000 cumulative accrued royalty and $27,276 cumulative accrued interest. The remaining balance as at June 30, 2023 consists of the principal balance of $200,000 and the accrued combined interest and royalty expense of $30,911. The following is a continuity of the promissory note payable:

Balance, December 31, 2021	**$**	**-**
Advances		500,000
Repayments		(209,407)
Royalty		210,000
Interest		12,716
Balance, December 31, 2022	**$**	**513,309**
Advances		119,738
Accrued royalty conversion into a new tranche		(119,738)
Repayments		(20,000)
Conversion into convertible debenture		(559,294)
Royalty		279,000
Interest		17,896
Balance, June 30, 2023	**$**	**230,911**

(Expressed in Canadian Dollars)

12. Loan payable

On January 24, 2023, the Company entered into a loan agreement with a related party (Note 17) whereby the lender agreed to advance $150,000 to the Company. The rate of interest is 12% per annum and the loan is due on July 24, 2024 unless further extended by the lender for the additional three months. The CEO of the lending party is also an officer of the Company. During the six months ended June 30, 2023, the Company incurred interest expense of $6,707 ($444 unpaid as at June 30, 2023) which has been recorded interest expense in the condensed consolidated interim statements of loss and comprehensive loss. The unpaid cumulative interest of $444 has been recorded as part of accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position as at June 30, 2023.

On June 9, 2023, the loan payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $156,263 which includes the entire $150,000 principal balance and $6,263 cumulative accrued interest. The unpaid interest of $444 mentioned in the paragraph above represents the accrued interest for the stub period between June 1, 2023 to June 9, 2023 and there is no principal balance outstanding. The following is a continuity of the loan payable:

Balance, December 31, 2022	**$**	**-**
Advance		150,000
Interest		6,707
Conversion into convertible debenture		(156,263)
Balance, June 30, 2023	**$**	**444**

13. Convertible Debenture

On June 9, 2023, the Company issued a convertible debenture (“debenture”) in the amount of $1,294,132 which bears interest at a rate of 12% per annum, payable semi-annually in arrears on the last day of June and December in each year, with the first interest payment payable on June 30, 2023. The maturity date is June 30, 2025. The debenture will be convertible into common shares of the Company at the market price of the common shares at the time of conversion, determined by the most recent closing price on the day of conversion, at the option of the holder at any time prior to maturity. The convertible debenture was issued in units and each unit is comprised of $1,000 principal amount of the debenture and 20,000 common share purchase warrants. Each warrant shall entitle the holder thereof to acquire one common share at an exercise price of $0.05 until June 30, 2025. In addition, the debenture is secured by all of the assets of the Company. This debenture was issued in-kind as part of the conversion of promissory note payable (Note 10), grid promissory note payable (Note 11) and loan payable (Note 12). The total amount converted of $1,294,132 equates to 1,293 debenture units of which 734 units are held by the related parties (lenders of the previously held promissory note payable and loan payable) and 559 units are held by the arm’s length investors (lenders of the previously held grid promissory note). On June 15, 2023, the Company issued additional 325 debenture units at the same terms as described above to the arm’s length investors, for total gross proceeds of $325,000. The Company paid $19,500 in finder’s fee as part of this financing which has been recorded as interest expense in the condensed consolidated interim statements of loss and comprehensive loss.

The total balance outstanding as at June 30, 2023 is $1,629,670 which consists of the principal balance of $1,690,132 and accrued interest expense of $10,538 (unpaid as of June 30, 2023). The accrued interest has been recorded as interest expense in the condensed consolidated interim statements of loss and comprehensive loss. In connection with this debenture, the Company issued the share purchase warrants to purchase up to 32,360,000 common shares of the Company exercisable at a price of $0.05 per share for a period of two years from the date of issue. A fair value of $923,672 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.04 to $0.05, expected volatility of 150%, a risk-free rate of return of 4.49% and an expected life of 2 years. The fair value of warrants issued has been accounted for as an equity-based finance charge (as it is not related to raising capital) and expensed in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2023.

The entire debenture, including the conversion feature, has been classified as a financial liability under the guidance of IAS 32 because (1) the Company has a contractual obligation to deliver cash to the holders of the debenture, (2) the conversion terms fail the “fixed for fixed” test due to a variable number of shares being issued on conversion, based on the market value of the shares on conversion date, and (3) there is no embedded derivative due to a determination that a conversion option is clearly and closely related to the host debt instrument. The debenture is measured at amortized cost using the effective interest rate method. The effective interest rates is equal to the coupon rate of 12% because it reflects the market interest rate on similar non-convertible debt instruments. The Company exercised judgement and consideration of all relevant factors when making this classification decision. The following is a continuity of the debenture:

(Expressed in Canadian Dollars)

Balance, December 31, 2022	**$**	**-**
Advance by way of conversion of other debt		1,294,132
Advance		325,000
Interest		10,538
Balance, June 30, 2023	**$**	**1,629,670**

14. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding - Common Shares

	Common Shares		Amount
Balance, December 31, 2021	**154,365,225**	**$**	**15,791,739**
Private placement, net of costs (i)	3,050,000		258,600
Issuance of warrants (i)	-		(180,000)
Issuance of finders warrants (i)	-		(14,000)
Shares issued as stock-based compensation (ii)	491,228		46,667
Exercise of stock options (ii)	850,000		145,000
Balance, June 30, 2022	**158,756,453**	**$**	**16,048,006**
Balance, December 31, 2022	**158,756,453**	**$**	**16,048,006**
Private placement, net of costs (iii)	7,844,000		369,124
Issuance of warrants (iii)	-		(316,898)
Issuance of finders warrants (iii)	-		(18,565)
Balance, June 30, 2023	**166,600,453**	**$**	**16,081,667**

(i) On March 15, March 24 and April 5, 2022, the Company closed three tranches of a non-brokered private placement and issued an aggregate of 3,050,000 units at a price of $0.10 per unit for gross proceeds of $305,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for a period of thirty-six months from the closing of the offering. The 3,050,000 warrants issued have an exercise price of $0.10 and a three-year term. A fair value of $180,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years. Cash costs of issue amounted to $46,400 in aggregate. In addition the Company issued 244,000 finders warrants exercisable for $0.10 per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $14,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years.

(ii) During the six months ended June 30, 2022, the Company issued 491,228 common shares in exchange for services provided to the Company, valued at $46,667. The Company also issued 850,000 common shares, on the exercise of stock options for proceeds of $85,000. Upon exercise, an amount of $60,000 was transferred from contributed surplus to share capital.

(iii) On May 12, 2023, the Company closed a non-brokered private placement and issued an aggregate of 7,844,000 units at a price of $0.05 per unit for gross proceeds of $392,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for a period of twenty-four months from the closing of the offering. The 7,844,000 warrants issued have an exercise price of $0.05 and a two-year term. A fair value of $316,898 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 150%, a risk-free rate of return of 3.73% and an expected life of 2 years. Cash costs of issue amounted to $23,076 in aggregate. In addition, the Company issued 459,520 finder's warrants exercisable for $0.05 per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $18,565 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 150%, a risk-free rate of return of 3.73% and an expected life of 2 years.

(Expressed in Canadian Dollars)

15. Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2023 and 2022:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2021	**14,207,583**	**$0.16**
Issued	8,294,000	$0.10
Balance, June 30, 2022	**22,501,583**	**$0.17**
Balance, December 31, 2022	**22,501,808**	**$0.17**
Issued	40,663,520	$0.05
Expired	(315,000)	$0.30
Balance, June 30, 2023	**62,850,328**	**$0.09**

The following table reflects warrants outstanding as at June 30, 2023:

Expiry Date	Exercise Price	Weighted Average Life Remaining (Years)	Warrants Outstanding	Black-Scholes Value
August 31, 2023	$ 0.10	0.17	355,500	$ 18,567
September 20, 2023	$ 0.10	0.22	288,000	$ 12,726
December 17, 2023	$ 0.15	0.46	193,500	$ 4,644
May 28, 2024	$ 0.30	0.91	6,033,333	$ 287,186
August 31, 2024	$ 0.15	1.17	1,975,000	$ 83,938
September 20, 2024	$ 0.15	1.22	1,937,500	$ 69,750
October 28, 2024	$ 0.15	1.33	649,975	$ 13,765
December 17, 2024	$ 0.15	1.46	2,460,000	$ 30,940
February 7, 2025	$ 0.10	1.60	5,000,000	$ 353,000
March 15, 2025	$ 0.10	1.71	750,000	$ 53,000
March 15, 2025	$ 0.10	1.71	60,000	$ 4,000
March 24, 2025	$ 0.10	1.73	1,750,000	$ 100,000
March 24, 2025	$ 0.10	1.73	140,000	$ 8,000
April 5, 2025	$ 0.10	1.76	550,000	$ 27,000
April 5, 2025	$ 0.10	1.76	44,000	$ 2,000
May 12, 2025	$ 0.05	1.87	7,844,000	$ 316,898
May 12, 2025	$ 0.05	1.87	459,520	$ 18,565
June 30, 2025	$ 0.05	2.00	25,860,000	$ 716,322
June 30, 2025	$ 0.05	2.00	6,500,000	$ 207,350
	$ 0.09	**1.73**	**62,850,328**	**$ 2,327,650**

The warrants with previous expiry dates of May 28, 2023 (6,033,333 warrants), August 31, 2023 (1,975,000 warrants), September 20, 2023 (1,937,500 warrants), October 28, 2023 (649,975 warrants) and December 17, 2023 (2,460,000 warrants) have had their expiry dates extended by exactly one (1) year to allow more time for the holders to exercise their rights. The exercise price of these warrants remained unchanged and there has been no impact to their valuation. In addition, 315,000 finder's warrants (expiry date of May 28, 2023) expired unexercised.

(Expressed in Canadian Dollars)

16. Stock Options

The following table reflects the continuity of stock options for the six months ended June 30, 2023 and 2022:

	Stock Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2021	**10,150,000**	**$0.20**
Granted (i)	1,350,000	$0.10
Exercised (ii)	(850,000)	$0.10
Balance, June 30, 2022	**10,650,000**	**$0.19**
Balance, December 31, 2022	**10,650,000**	**$0.19**
Cancelled (iii)	(2,400,000)	$0.25
Balance, June 30, 2023	**8,250,000**	**$0.17**

(i) On January 13, 2022, the Company granted 500,000 options to a director of the Company exercisable at a price of $0.10 for a three-year term. A fair value of $33,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.10, expected volatility of 130%, a risk-free rate of return of 1.21% and an expected life of 3 years. The options vested immediately upon grant.

(ii) On February 18, 2022, the Company granted 850,000 options to a consultant exercisable at a price of $0.10 for a three-year term. A fair value of $60,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095 expected volatility of 130%, a risk-free rate of return of 1.57% and an expected life of 3 years. The options vested immediately upon grant. These options were exercised during the year and the Company issued 850,000 common shares for proceeds of $85,000. On exercise, $60,000 was transferred from contributed surplus to share capital.

(iii) On April 17, 2023, the Company, with the agreement of the option holders, cancelled 2,400,000 stock options with exercise prices ranging from $0.13 to $0.50 and expiry dates between December 9, 2024 and February 4, 2026. These stock options were fully vested but unexercised due to the stock price of the Company being lower than the exercise price of the options. After the cancellation 8,250,000 options remain issued and outstanding.

During the six months ended June 30, 2023, the Company recognized aggregate stock-based compensation expense of $nil (six months ended June 30, 2022 - $139,667).

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
December 9, 2024	$ 0.50	1.44	1,000,000
January 13, 2025	$ 0.10	1.54	500,000
July 6, 2026	$ 0.13	3.02	6,750,000
	$ 0.17	**2.74**	**8,250,000**

Of the 8,250,000 options issued and outstanding, 6,750,000 were exercisable at June 30, 2023.

17. Related Party Balances and Transactions

Remuneration of key management personnel of the Company was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Remuneration paid for key management	**$ 213,219**	$ 191,293	**$ 403,249**	$ 385,432
Stock-based compensation	**$ -**	$ -	**$ -**	$ 33,000

The Company defines key management as the Company's directors and officers of the Company. As at June 30, 2023, amounts due to key management for remuneration totaled $248,198 (December 31, 2022 - $54,408).

During the three and six months ended June 30, 2023, the Company expensed $258,573 and $457,361 (three and six months ended June 30, 2022 - $83,010 and $162,798) for digital marketing services provided by a firm controlled by an officer of the Company. As at June 30, 2023, $123,680 (December 31, 2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also a director of the Company. Interest of $11,506 and $26,301 for the three and six months ended June 30, 2023 ($1,479 remains unpaid) was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 10 to these condensed consolidated interim financial statements.

On January 24, 2023, the Company entered into a loan agreement with a related party whereby the lender agreed to advance $150,000 to the Company. The CEO of the lending party is also an officer of the Company. Interest of $3,452 and $6,707 for the three and six months ended June 30, 2023 ($444 remains unpaid) was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 12 to these condensed consolidated interim financial statements.

On June 9, 2023, the convertible debenture units were issued to the lenders of the promissory note payable (Note 10) and loan payable (Note 12) as part of the loan conversion process. Both lenders are related parties as described in the paragraphs above. The details of this transaction are provided in Note 13 to these condensed consolidated interim financial statements. As of June 30, 2023, out of 1,618 total outstanding convertible debenture units, 734 units are held by the two related parties, whose president and/or CEO is also the officer of the Company. Interest of $5,072 for the three and six months ended June 30, 2023 ($5,072 remains unpaid) was expensed and the unpaid balance was included in the loan amount (Note 13).

During the three and six months ended June 30, 2022, the Company expensed $7,635 and $15,270 to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filing Services Limited (“Marrelli Group”) for acting as chief financial officer, regulatory filing and corporate secretarial services. As of June 30, 2023, the Marrelli Group was owed $nil (December 31, 2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group and has appointed a new chief financial officer. During the three and six months ended June 30, 2023, the Company expensed $8,000 (unpaid as at June 30, 2023) for bookkeeping services provided by the firm owned by the officer of the Company.

During the three and six months ended June 30, 2022, the Company expensed $8,808 and $55,096 for legal services provided by a firm, a partner of which was a director of the Company. As of June 30, 2023, $135,205 (December 31, 2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but his firm continues to provide legal services to the Company.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

18. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the six months ended June 30, 2023, 81% (2022 - 74%) of sales were to US customers and 6% (2022 - 12%) being sold to customers in Canada. The Company’s remaining customers are distributed widely throughout the world.

19. Net Loss Per Share

The calculation of basic and diluted loss per share for the six months ended June 30, 2023 was based on the loss attributable to common shareholders of $2,769,596 (2022 - $2,660,927) and the weighted average number of common shares outstanding of 160,935,342 (2022 - 156,941,558). The impact of conversion of options and warrants have been excluded from the weighted average number of common shares calculation as it would be antidilutive.

(Expressed in Canadian Dollars)

20. Prepaid and sundry receivable

		June 30, 2023		December 31, 2022
Refundable GST/HST	**$**	**-**	$	6,656
Prepaid expenses		**83,695**		62,994
Manufacturing deposits		**440,400**		340,350
	$	**524,095**	$	410,000

21. Cost of Goods Sold

Cost of goods sold is comprised of the following:

	For the Three Months Ended June 30				For the Six Months Ended June 30			
		2023		2022		**2023**		2022
Manufactured product cost	**$**	**551,477**	$	711,284	**$**	**891,592**	$	943,719
Shipping expenses		**33,135**		23,515		**100,254**		63,818
Fulfillment services		**115,463**		103,456		**219,535**		157,100
E-commerce fees		**90,819**		34,032		**175,297**		58,067
	$	**790,894**	$	872,287	**$**	**1,386,679**	$	1,222,704

All of the Company's products are manufactured by a sole supplier located overseas. Since inception the Company has dealt with the same supplier and enjoys a good relationship. Management believes that should the relationship cease abruptly, it may cause a temporary disruption in supply, but alternate sources could be developed to manufacture the product.

22. Subsequent Events

There have been no subsequent events for the period from July 1, 2023 up until August 23, 2023.

23. Comparative Period

Some of the numbers for the comparative period in these condensed consolidated interim financial statements have been reclassified between various line items to match the presentation of 2023 and for consistency with the financial statement line item groupings and values in the annual audited 2022 financial statements.

Items	Amount	2022	2023	Explanation
Affiliate commissions	$57,217	Cost of Sales	Advertising and promotion	Affiliate commissions are fees paid to affiliates, influencers and bloggers as part of the advertising and promotion campaign and are not a cost of sales. In annual audited 2022 consolidated financial statements and Q2 2023 condensed consolidated interim financial statements, this cost has been classified as part of advertising and promotion and for a fair comparison the Q2 2022 numbers have been adjusted accordingly.
Advertising and promotion bifurcation	$1,523,476	Advertising and promotion	(1) Advertising and promotion (2) Marketing	Q2 2022 condensed consolidated interim financial statements combined advertising and promotion expenses into a single line item. In the annual audited 2022 consolidated financial statements and Q2 2023 condensed consolidated interim financial statements, management has decided to split this line in two parts in order to make the financial statements more meaningful to users. The advertising and promotion line now includes the costs that are directly linked to acquiring new customers and business and would generally fluctuate with sales. The marketing line now only includes the fixed marketing costs as part of the overall day-to-day marketing efforts. Comparative figures have been bifurcated in a similar fashion – $1,523,476 was split between $889,594 (advertising and promotion) and $633,882 (marketing).

(Expressed in Canadian Dollars)

Items	Amount	2022	2023	Explanation
Marketing agency costs	$196,969	Consulting	Marketing	Q2 2022 condensed consolidated interim financial statements grouped some of the marketing costs under consulting fees. In the annual audited consolidated 2022 financial statements and Q2 2023 condensed consolidated interim financial statements, this cost was classified under marketing costs and for a fair comparison the Q2 2022 number has been adjusted accordingly.
Accounting fees	$59,934	Office and general	Professional fees	Q2 2022 condensed consolidated interim financial statements grouped some of the accounting fees under office and general category. In annual audited 2022 consolidated financial statements and Q2 2023 condensed consolidated interim financial statements, this cost was classified under professional fees and for a fair comparison the Q2 2022 number has been adjusted accordingly.
Foreign exchange gain	$24,501	P&L	OCI	Due to the rapid growth of the Company and the volume of foreign transactions, it was concluded in annual audited 2022 consolidated financial statements that the functional currency of the Company is US Dollars while the presentation currency is Canadian Dollars. In prior years and quarters the differences were not material and this change was therefore adopted on a prospective basis. As a result, for a fair comparison the foreign exchange gain in Q2 2022 has been moved to the OCI section.
Fair value of warrants issued in connection to debt	$353,000	Interest charges	Equity-based finance charge	In the Q2 2022 condensed consolidated interim financial statements, the fair value of the warrants issued in connection with the promissory note (refer to Note 10) was grouped under interest charges. In annual audited 2022 consolidated financial statements this cost was classified under its own line item called equity-based finance charge and for consistency the Q2 2022 classification has been adjusted accordingly. In addition, the fair value of these warrants has been updated from $176,000 to $353,000 for consistency with annual audited 2022 consolidated financial statements. The difference in value relates to the true-up performed at 2022 year-end based on the updated assumptions.
Stock-based compensation	$139,667	N/A	N/A	Fair value of the various stock-based compensation transactions in Q2 2022 has been updated from $113,176 to $139,667 for consistency with annual audited 2022 consolidated financial statements. The difference in value relates to the true-up performed at 2022 year-end based on the updated assumptions.
Consulting fee paid to an investor relations company	$100,000	Office and general	Consulting fees	The Q2 2022 condensed consolidated interim financial statements grouped some of the consulting fees under the office and general category. In the annual audited 2022 consolidated financial statements and Q2 2023 condensed consolidated interim financial statements, this cost was classified under consulting fees and for a fair comparison the Q2 2022 number has been adjusted accordingly.
Statement of Cash Flows	N/A	N/A	N/A	Various sections of the statement of cash flows for the comparative period of 2022 have been updated to match the mapping and presentation in the audited annual 2022 consolidated financial statements and Q2 2023 condensed consolidated interim financial statements.