BEVCANNA ENTERPRISES INC.

Condensed Interim Consolidated Financial Statements

(unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

September 14, 2023

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Financial Position (unaudited)
(Expressed in Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
ASSETS		$	$
Current			
Cash	3	95,887	135,802
Amounts receivable	4	1,148,193	1,193,884
Inventory	5	956,887	921,816
Prepaid expenses and deposits	6	517,262	498,995
		2,718,229	2,750,497
Property, plant and equipment	7	15,119,951	15,312,694
Intangible assets	8	3,736,078	3,736,078
		21,574,258	21,799,269
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Trade payable and accrued liabilities	10, 21	11,210,425	9,774,315
Deferred revenue		55,156	55,156
ST Loan payable	14	1,637,866	1,693,862
Due to related parties	12	105,000	105,000
Promissory note	11	2,446,405	2,431,468
Convertible debentures	13	1,093,209	1,071,425
		16,548,061	15,131,226
Non-current			
CEBA loans	15	230,000	230,000
		16,778,061	15,361,226
Shareholders' equity			
Share capital	16	131,081,326	131,081,326
Common shares held in treasury		(5,144,671)	(5,144,671)
Obligation to issue shares	16	1,000,000	1,000,000
Reserve	16, 17, 18	26,937,324	26,937,324
Accumulated other comprehensive income (loss)		(45,887)	1,012
Deficit		(148,719,572)	(147,156,170)
Equity attribute to shareholders of the parent		5,108,520	6,718,821
Equity attribute to non-controlling interest	19	(312,323)	(280,778)
		4,796,197	6,438,043
		21,574,258	21,799,269

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 22)
Subsequent events (Note 24)

Approved and authorized for issue on behalf of the Board of Directors on September 14, 2023

"Marcello Leone"	*"John Campbell"*
Director, Marcello Leone	Director, John Campbell

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss (unaudited)
(Expressed in Canadian dollars)

Three months ended March 31,	Notes	2023	2022
		$	$
Revenue	20, 21	560,536	1,287,214
Cost of revenue	21	(399,338)	1,004,027
Gross profit (loss)		161,198	283,187
Expenses			
Amortization	7	192,743	203,057
Filing expense		-	29,012
Investors relations		5,000	111,288
Marketing		12,134	84,662
Management fee	12	165,000	217,288
Legal fee		31,828	317,353
Plant operation and office expenses		423,409	388,597
Professional fee		648,706	593,339
Rent		-	6,393
Research and development		5,500	16,790
Salaries		173,066	469,737
Share-based payments		-	229,724
Travel		-	5,458
		1,657,386	2,672,698
Other expenses (income):			
Accretion expense	13, 15	12,571	13,475
Finance cost		89,122	141,578
Foreign exchange loss (gain)		(2,934)	5,031
Gain on debt settlement		-	(274,466)
		98,759	(114,382)
Net loss for the year		(1,594,947)	(2,275,129)
Net loss for the year attributable to:			
Shareholders of the parent		(1,563,402)	(2,245,653)
Non-controlling interest	19	(31,545)	(29,476)
Other comprehensive income (loss)			
Item that may be reclassified subsequently to income or loss:			
Exchange differences on the translation of foreign operation		(27,745)	35,559
Total comprehensive loss		(1,622,692)	(2,239,570)
Total comprehensive loss for the year attributable to:			
Shareholders of the parent		(1,591,147)	(2,210,094)
Non-controlling interest	19	(31,545)	(29,476)
Loss per share attributes to shareholders of the parent (basic and diluted)		(0.01)	(0.01)
Weighted average number of shares outstanding (basic and diluted)		111,743,700	97,708,676

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian dollars)

	Common shares		Common shares held in treasury	Reserve	Obligation to issue shares	Accumulated other comprehensive income (loss)	Deficit	Equity attributable to shareholders of the parent	Equity attributable to non-controlling interest	Total
	Number of shares	Amount ($)	$	$	$	$	$	$	$	$
Balance, December 31, 2021	180,120,143	120,591,809	(5,144,671)	26,590,148	1,000,000	(12,008)	(130,301,652)	12,723,626	(153,817)	12,569,809
Shares issued for debt settlement	6,839,126	1,094,260	-	(108,304)	-	-	-	985,956	-	985,956
Shares issued for options exercised	100,000	36,986	-	(9,486)	-	-	-	27,500	-	27,500
Shares issued for acquisition	54,925,889	10,410,243	-	235,242	-	-	-	10,645,485	-	10,645,485
Share-based payments	-	-	-	229,724	-	-	-	229,724	-	229,724
Net loss and comprehensive loss	-	-	-	-	-	32,185	(2,245,653)	(2,213,468)	(29,476)	(2,242,944)
Balance, March 31, 2022	241,985,158	132,133,298	(5,144,671)	26,937,324	1,000,000	20,177	(132,547,305)	22,398,823	(183,293)	22,215,530
Balance, December 31, 2022	236,084,466	131,081,326	(5,144,671)	26,937,324	1,000,000	1,012	(147,156,170)	6,718,821	(280,778)	6,438,043
Net loss and comprehensive loss	-	-	-	-	-	(46,899)	(1,563,402)	(1,610,301)	(31,545)	(1,641,846)
Balance, March 31, 2023	236,084,466	131,081,326	(5,144,671)	26,937,324	1,000,000	(45,887)	(148,719,572)	5,108,520	(312,323)	4,796,197

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

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian dollars)

Three months ended March 31,	2023	2022
	$	$
Operating activities		
Net loss	(1,594,947)	(2,275,129)
Items not affecting cash:		
Amortization	192,743	203,057
Accretion expense	12,571	13,475
Finance costs	89,122	141,578
Gain on disposal of asset	-	(274,466)
Share-based payments	-	229,724
Unrealized foreign exchange (gain) loss	(50,201)	47,218
	(1,350,712)	(1,914,543)
Changes in non-cash working capital items:		
Amounts receivable	45,691	(384,317)
Prepaid expenses and deposits	(18,267)	(113,008)
Inventory	(35,071)	(160,623)
Deferred revenue	-	22,521
Trade payable and accrued liabilities	1,300,205	1,076,755
Due to/from related parties	-	(229,543)
Cash used in operating activities	(58,154)	(1,702,758)
Investing activities		
Purchase of property and equipment	-	(202,243)
Cash from acquisitions	-	2,062,910
Cash used in investing activities	-	1,860,667
Financing activities		
Proceeds from options exercised	-	27,500
Interest paid	14,937	(46,356)
Cash provided by financing activities	14,937	(18,856)
Increase (decrease) in cash	(43,217)	139,053
Effect of change in foreign exchange rate on cash	3,302	(15,033)
Cash, beginning	135,802	230,273
Cash, ending	95,887	354,294

Supplemental non-cash information		
Intangible assets acquired from acquisitions	-	5,436,580
Goodwill acquired from acquisitions	-	5,986,899
Accrued costs in property and equipment	337,948	312,676

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

1) Nature of operations

BevCanna Enterprises Inc. (the "Company") was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "BEV", in the United States on the OTCQB under symbol "BVNNF", and in Germany on the Frankfurt Stock Exchange under the symbol "7BC". The registered record office of the Company is 300 – 1008 Homer Street, Vancouver, BC V6C 2X1, Canada.

The Company develops and manufactures a range of alkaline, mineralized, and cannabinoid ("CBD") beverages and supplements for both in-house brands and white-label customers, including the TRACE brand alkaline and mineralized beverage line produced and distributed through Naturo its wholly-owned subsidiary newly acquired in February 2021 (Note 11). The Company also provides direct-to-customer eCommerce sales of natural health products through its wholly-owned subsidiary Pure Therapy.

The Company has incurred losses and negative cash flows from operations that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, debt and equity financings including private placements of common shares. These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the classifications used in the consolidated statement of financial position, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2) Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2022, which have been prepared with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").
These condensed interim consolidated financial statements were approved by the Company's Board of Directors on September 14, 2023.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

2) Basis of presentation (continued)

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and of the entities it controls (the "subsidiaries"). Control over an investee is achieved when the Company has power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. Profit or loss and each component of other comprehensive income or loss are attributed to the owners of the parent and to the non-controlling interest. The subsidiaries' total comprehensive income or loss is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Entities are consolidated from the date on which control is acquired by the Company and consolidation ends when control no longer exists. The Company must reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Intercompany transactions, balances and unrealized gains and losses on intercompany transactions are eliminated on consolidation.

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary or controlled entity	Principal activity	Place of incorporation	Ownership Interest
BevCanna Operating Corp. ("BCO")	THC/CBD beverages	Canada	100%
Naturally Pure Therapy Products Corp. ("Pure Therapy")	Direct-to-consumer e-commerce	Canada	100%
Naturo Group Enterprises Inc. (formerly Naturo Group Investments Inc., "Naturo")	Wellness beverages	Canada	100%
Naturo Springs Ltd. ("Springs")	Bottled spring water	Canada	79%
Embark Health, Inc. ("Embark")	Manufacturing products	Canada	100%

The Company consolidates the accounts of multiple e-commerce merchant entities through Pure Therapy. These e-commence merchants are incorporated in the United States of America (U.S.A.) and include La Fortuna Ventures LLC., BNoel Incorporated LLC, San Marcos Media LLC, Three Bun Enterprises LLC, Zay Enterprises LLC, JLP Enterprises LLC and Vader LLC. The Company has an arrangement with each of these entities through Pure Therapy that gives the Company power over these entities to affect the amount of its returns and has exposure and rights to variable returns from La Fortuna.

Carmanah Craft Corp. ("Carmanah") dissolved in July 2023. There are no assets in Carmanah prior to dissolution.

Exceler Holdings Ltd ("Exceler") dissolved in July 2023. There are no assets in Exceler prior to dissolution.

2) Basis of presentation (continued)

(d) Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company, BCO, Naturo and Springs is the Canadian dollar. The functional currency of Pure Therapy, the e-commerce merchant, entity is the US dollar.

(e) Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Actual results could differ from these estimates.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the current and next fiscal financial years:

i. The Company makes estimates on the useful lives when determining depreciation of property and equipment and the amortization of intangible assets are dependent on estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and useful lives of assets.

ii. The Company uses the Black-Scholes Option Pricing Model to value options and warrants granted during the year. The model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.

iii. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

iv. In an acquisition that constitutes a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. Estimates are applied in the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

2) Basis of presentation (continued)

Significant Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.

ii. The Company's assets are aggregated into cash-generating units ("CGU" or "CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The Company evaluated CGU at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when assessing whether there are indications of impairment for the Company's intangible assets and goodwill. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider various factors such as economic and market conditions and future use of these assets.

iii. The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.

iv. The assessment on whether the Company's subsidiary, Pure Therapy is a principal in its revenue activities related to the direct-to-customer e-commence product sales and as a result, the revenue and cost of revenue are presented on a gross basis.

v. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

vi. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

(Expressed in Canadian dollar, unless otherwise noted)

3) Cash

	March 31, 2023 $	December 31, 2022 $
Cash deposited at banks	69,214	108,696
Cash held in trust	25,000	25,000
Cash held at e-commerce merchants	1,673	2,106
	95,887	135,802

4) Amounts receivable

	March 31, 2023 $	December 31, 2022 $
Trade receivables	959,900	1,051,242
Reserve income asset	168,131	182,232
GST receivable	(65,270)	(98,854)
Other receivables	122,241	96,073
	1,185,002	1,230,693
Allowance for doubtful accounts	(36,809)	(36,809)
	1,148,193	1,193,884

Reserve income asset balances comprise amounts (eCommerce payments) being processed by banks and not released to the Company as at March 31, 2023.

During the three months ended March 31, 2023, there is $nil (2022 - $nil) bad debt expense recognized on the condensed interim consolidated statement of comprehensive loss.

5) Inventory

	March 31, 2023 $	December 31, 2022 $
Bottles and packaging	48,567	6,261
Finished goods	23,189	393,344
Raw materials	885,131	1,768,573
Impairment of inventory	-	(1,246,362)
	956,887	921,816

During the three months ended March 31, 2023, the Company recorded an impairment charge of $nil against inventory.

(Expressed in Canadian dollar, unless otherwise noted)

6) Prepaid expenses and deposits

	March 31, 2023 $	December 31, 2022 $
Prepaid expenses	517,262	494,995
Deposits on equipment	-	4,000
	517,262	498,995

7) Property, plant and equipment

	Land $	Furniture and equipment $	Construction-in-progress $	Buildings and warehouse $	Total $
Cost					
At December 31, 2021	1,350,000	1,623,018	1,828,688	13,484,926	18,286,632
Acquired (Note 11)	1,272,653	-	-	4,727,347	6,000,000
Additions	-	213,742	9.507	30,000	253,249
Disposal	(1,272,653)	-	-	(4,727,347)	(6,000,000)
At December 31, 2022	1,350,000	1,836,760	1,838,195	13,514,926	18,539,881
Additions	-	-	-	-	-
At March 31, 2023	1,350,000	1,838,195	1,838,195	13,514,926	18,539,881
Accumulated amortization					
At December 31, 2021	-	194,405	1,828,688	368,585	2,391,678
Depreciation	-	306,775	-	528,734	835,509
At December 31, 2022	-	501,180	1,828,688	897,319	3,227,187
Depreciation	-	65,663	-	127,080	192,743
At March 31, 2023	-	566,843	1,828,688	1,024,399	3,419,930
Net book value					
At December 31, 2022	1,350,000	1,335,580	9,507	12,617,607	15,312,694
At March 31, 2023	**1,350,000**	**1,269,917**	**9,507**	**12,490,527**	**15,119,951**

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets

	IBO relationships (a) $	Marketing intangibles (b) $	Brand (c) $	Total $
Cost				
At December 31, 2021	3,340,000	590,000	680,000	4,610,000
Additions	-	-	5,436,580	5,436,580
At December 31, 2022	3,340,000	590,000	6,116,580	10,046,580
Additions	-	-	-	-
At March 31, 2023	3,340,000	590,000	6,116,580	10,046,580
Accumulated amortization				
At December 31, 2021	3,340,000	590,000	29,342	3,959,342
Depreciation	-	-	126,732	126,732
Impairment	-	-	2,224,428	2,224,428
At December 31, 2022	3,340,000	590,000	2,380,502	6,310,502
Depreciation	-	-	-	-
Impairment	-	-	-	-
At March 31, 2023	3,340,000	590,000	2,380,502	5,178,197
Net book value				
At December 31, 2022	-	-	3,736,078	3,736,078
At March 31, 2023	-	-	3,736,078	3,736,078

(a) *Acquisition of Naturo Group Investments Inc.*

On December 11, 2020, and as amended on January 31, 2021, the Company entered into an amalgamation agreement to complete the acquisition of all issued and outstanding securities of Naturo (the “Acquisition”), primarily to secure its access to the water bottling facility and the water source rights for the cannabis beverage business. Based in British Columbia, Canada, Naturo develops and manufactures beverages and consumer products for in-house brands and private label clients. Naturo owns an alkaline spring water aquifer and a HACCP certified manufacturing facility. It also owns and operates nationally distributed house brands across Canada. The acquisition closed on February 19, 2021.

The consideration for the acquisition of Naturo consisted of the following:

a) 50,000,000 common shares of the Company were issued to the former shareholders of Naturo with a fair value of $1.30 per share;
b) The Company assumed the obligations to issue:
    (i) 450,000 common shares of the Company pursuant to outstanding options in Naturo exercisable at $0.25 until July 31, 2024,
    (ii) 26,250,000 common shares of the Company pursuant to outstanding warrants in Naturo exercisable at $0.50 until August 19, 2021, and
    (iii) Common shares of the Company as may be issuable pursuant to a convertible debenture in Naturo in the principal amount of $1,468,373 convertible at $0.40 per share, maturing on January 27, 2023 (Note 27) and accruing interest at an annual rate of 10% which is also convertible into shares.

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets (continued)

Acquisition of Naturo Group Investments Inc (continued)

At the time of the Acquisition, the Company determined that Naturo constituted a business as the operation of Naturo meets the definition of a business as defined under IFRS 3 *Business Combinations*, and accounted for it as such on the date that control was acquired. The Company has recognized the identifiable assets and liabilities acquired at their estimated fair values at the closing date of the Acquisition.

The Company performed an evaluation of the underlying assets and liabilities acquired and determined that the total net assets obtained supported a valuation of approximately $15,420,746 and the excess of $71,185,661 was allocated to goodwill, which primarily consisted of the assembled workforce, access to additional production capacity and the expected synergies from combining the operation and distribution network.

The purchase price allocation determined at the closing date of the Acquisition of Naturo is as following:

Consideration:	$
Fair value of common shares issued	61,772,161
Fair value of warrants	21,941,126
Fair value of options	529,976
Settlement of inter-company balances	234,144
Settlement of pre-existing relationship (Note 10)	2,129,000
	86,606,407
Net assets acquired:	
Cash	23,625
Marketable securities (note 7)	585,715
BevCanna common shares, repurchased (Note 18)	4,832,171
Property, plant and equipment (Note 9)	11,514,182
Right-of-use asset	15,731
Liabilities assumed	(302,879)
Debt assumed	(2,012,836)
Intangible asset – brand	680,000
Non-controlling interest	85,037
Total net assets	15,420,746
Goodwill (Note 12)	71,185,661
	86,606,407

During the year ended December 31, 2021, the Company reviewed Naturo's goodwill and intangible assets and determined that the carrying amount of the goodwill was fully impaired. As a result, an impairment loss of $71,185,661 was recorded against the goodwill account balance and reduced the carrying value of the goodwill as at December 31, 2021 to $nil (Note 9).

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets (continued)

(b) *Acquisition of Embark*

On January 28, 2022, the Company completed the acquisition of Embark Health Inc. (“Embark”). Embark develops and manufactures high-end solvent less cannabis extracts, concentrates, liquid, powder beverage mixes, topicals and edible products. On closing of the transaction, the Company issued 54,925,889 common shares to acquire all of the issued and outstanding common shares of Embark. Embark became a wholly-owned subsidiary of the Company. Subsequent to the three months ended, on September 30, 2022, there were 5,900,692 common shares returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition. The net number of shares issued for the acquisition was 49,025,197 common shares.

The consideration for the acquisition of Embark including the following:

a) 54,925,889 common shares (“Consideration Shares”) were issued to the former shareholders of Embark as consideration for the purchase price of $9.69 million.
b) In September 2022, 5,900,692 common shares valued at $1.09 million returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition.
c) The Consideration Shares are subject to resale restriction over a one-year period in equal portions.

At the time of the Acquisition, the Company determined that Embark constituted a business as the operation of Naturo meets the definition of a business as defined under IFRS 3 *Business Combinations*, and accounted for it as such on the date that control was acquired. The Company has recognized the identifiable assets and liabilities acquired at their fair values at the closing date of the Acquisition.

The Company performed an evaluation of the underlying assets and liabilities acquired and determined that the total net assets obtained supported a valuation of approximately $3,712,138 and the excess of $5,986,899 was allocated to goodwill.

Consideration:	$
Fair value of common shares and warrants issued	9,069,661
Fair value of warrants	380,422
Fee paid associated with the Acquisition	248,954
	9,699,037
Net assets acquired:	
Cash	971,282
Accounts Receivable	268,087
Inventory	417,850
Right-of-use asset	1,166,982
Property, Plant and Equipment	6,000,000
Intangible asset - Brand	5,436,580
Accounts Payable	(2,332,054)
Right-of-use liabilities	(900,241)
Loan payable	(6,790,000)
Convertible debenture	(526,348)
Total net assets	3,712,138
Goodwill (Note 12)	5,986,899
	9,699,037

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets (continued)

(b) *Acquisition of Embark (continued)*

During the year ended December 31, 2022, the Company reviewed Embark's assets and found the following impairments:
- Goodwill was fully impaired, resulting in an impairment loss of $5,986,899
- Brand value was partially impaired, resulting in an impairment loss of $2,224,428

For the three months ended March 31, 2023, Embark has contributed a net loss of $159,309 (2022 -$ 951,063) to the consolidated statements of comprehensive loss of the Company.

9) Goodwill

The goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified in the calculated purchase price. The goodwill recognized on acquisition is attributable mainly to the expected future growth potential, expanded production capability, expanded customer base as well as expected synergies to the combined operations as a result of the completion of the acquisitions.

For the purposes of assessing impairment of goodwill and non-financial assets, the Company must identify its CGUs. Determination of what constitutes a CGU is subject to management judgment. Among all the CGUs of the Company, there was one CGUs that was allocated to goodwill in 2022: Embark Health Inc.

Embark CGU belongs to the Cannabis segment as they pertain to development, production and manufacturing of cannabis products.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. As at December 31, 2022, the Company has the carrying amount of goodwill at $5,986,899 (2021 - $3,209,198) due to the following:

	March 31, 2023 $	December 31, 2022 $
Balance, beginning	-	-
Acquisition of Embark	-	5,986,899
Impairment of Embark	-	(5,986,899)
Balance, ending	-	-

As at December 31, 2022, before recognizing the impairment charge, the carrying amount of goodwill allocated to the Embark CGU is $5,986,899 (2021 – $0)

At December 31, 2022, the Company tested its CGUs for impairment. The inputs for the calculated recoverable amounts below are not based on observable market data. As such, the recoverable amounts for Embark CGUs are categorized in Level 3 of the fair value measurement hierarchy.

(Expressed in Canadian dollar, unless otherwise noted)

9) Goodwill (continued)

For the Embark CGU, the estimated recoverable amount calculated was using discounted cash flow model based on 2023 to 2026 revenues, less costs of disposal. This resulted in a recoverable amount of $4,002,193, exceeded by the CGU carrying amount of $5,436,580. The exceeding amount was allocated to fully reduce the carrying amount goodwill to $nil. The fair value of the remaining assets was higher than the recoverable amount and as a result, no further impairment charge was recorded against them. The discount cash flow model used reflected the value-in-use of the Company. A 1% change in the recoverable amount is a difference of approximately $40,022 and would not yield a different result. As a result, the Company recorded impairment losses of $5,986,899 on goodwill for the Embark CGU.

For the three months ended March 31, 2023, the Company did not recognize any additional goodwill.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. As at March 31, 2023, the Company recorded $nil impairment charge related to its goodwill.

10) Accounts payable and accrued liabilities

	March 31, 2023 $	December 31, 2022 $
Trade payables	7,379,923	6,589,179
Payables related to capital expenditures	-	-
Accrued liabilities	3,321,864	2,675,216
Contingent liability (Note 25)	-	-
Excise tax payable	508,639	508,639
	11,210,426	9,774,316

11) Promissory note

The promissory note was acquired as part of the debt assumed on the acquisition of Naturo (Note 11). On August 5, 2017, Naturo entered into a promissory note for $2,500,000 with an interest rate of 8%, payable quarterly, and due on August 5, 2020. On August 5, 2020, the promissory note was extended for one year. The loan is secured by the land of Naturo and the personal guarantee of the CEO under the general security agreement (“GSA”). Upon assumption by the Company, the promissory note was valued at $2,545,479. After the expiry on August 5, 2021, the promissory note had been rolled forward on a month-to-month basis carrying an interest rate of 8%, payable monthly and due on demand.

As at March 31, 2023, the outstanding balance of the loan and accrued interest was $2,446,405.

The Company has the option to repay the loan in full or in part at any time. The promissory note is presented as a current liability on the consolidated statement of financial position because the Company expects to settle or redeem the promissory note within the next twelve months.

(Expressed in Canadian dollar, unless otherwise noted)

12) Related party transactions and balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Related Parties Transactions:

The remuneration of directors and key management personnel was as follows:

Three months ended	March 31, 2023 $	March 31, 2022 $
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	60,000	60,000
Chief Executive Officer ("CEO")	75,000	127,288
President	50,001	50,001
Former President	39,919	37,500
Directors	30,000	30,000
Company controlled by individual related to CEO	37,500	42,284
Share-based payments		
CFO & CSO	-	155,177
President	-	6,950
	292,420	509,200

Related Parties Balances:

As at March 31, 2023 and 2022, the following amounts were included in accounts payable and accrued liabilities in relation to transactions with related parties, which were non-interest bearing, unsecured and due on demand:

Three months ended,	March 31, 2023 $	March 31, 2022 $
Accounts payable and accrued liabilities:		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	273,000	21,000
Chief Executive Officer ("CEO") *(i)*	526,601	101,349
President	92,837	7,000
Former President	98,875	14,375
Directors	208,167	31,000
Company controlled by individual related to CEO	144,375	78,445
Individual related to CEO *(ii)*	522,012	23,559
	1,865,866	276,728

12) Related party transactions and balances (continued)

(i) The CEO also provided a shareholder loan to the company of $100,000 in 2022.
(ii) Two individuals related to the CEO each provided $125,000 USD in purchase order factoring to the Company for productions. The financing fee is $25,000 USD each. $25,000 USD principal was repaid during 2022. At end of December 31, 2022, $275,000 USD was still outstanding.

13) Convertible debentures

BevCanna Debentures

On April 14, 2020, the Company completed a non-brokered financing of $630,000 by issuing convertible debentures ("Debentures"). The Debentures accrue interest at the rate of 8% per annum payable semi-annually and mature on April 14, 2023. The Debentures are convertible to common shares of the Company at $0.75 per share.

The holders of the Debentures are entitled to convert the unpaid principal and interest into common shares of the Company at a conversion price of $0.75 per share. If at any time the daily weighted average trading price of the Company's shares is greater than $1.00 for the preceding 10 days, the Company will have the option to convert the outstanding principal amount at the price of $0.75 per share.

The initial liability component of the Debentures was calculated at the present value of interest payments and expected return using an effective interest rate of 16% per annum. The equity component was determined using the residual method whereby, the fair value of the equity component is arrived at by deducting the amount determined separately for the liability from the face value of the instrument. As a result, the fair value of the conversion feature was determined to be $118,252 and was recognized into the equity reserve of the Company.

On February 8, 2021, the Company completed an early redemption for $115,000 of the debenture and paid $124,532 towards the outstanding principal and accrued interest. On the same date, the Company converted $15,000 of the debentures into 20,000 common shares. The Company reclassified $3,754 from equity reserves to share capital related to this conversion.

No early redemptions were completed the three months ended March 31, 2023.

Naturo Debenture

On January 27, 2021, Naturo completed a debt settlement with an individual related to the CEO of the Company (Note 15) by issuing a convertible debenture for $1,505,021 with an interest bearing at 10% per annum, payable monthly and maturing in 24 months. The debenture is convertible to common shares of the Company at $0.40 per share at any time at the discretion of the debenture holder. Upon assumption by the Company on the Acquisition Date, the convertible debenture was valued at $1,468,373 (Note 11).

On June 28, 2021, the Company entered into a debenture amendment and cancellation agreement with the related party to settle the $1,505,020 in the convertible debenture plus a $500,000 payable for finance charge, with a receivable of $2,005,020 from the CEO of the Company. There was $nil gain or loss on the settlement of these balances.

Upon the settlement, the convertible debenture has an outstanding balance of $1,525,459 for the principal and accrued interest. Following the settlement, the excess $20,439 accrued interest payable remains outstanding as of March 31, 2022.

(Expressed in Canadian dollar, unless otherwise noted)

13) Convertible debentures (continued)

Embark Debenture

On February On January 28, 2022, the Company completed the acquisition of Embark Health Inc. ("Embark"). The debenture is convertible to common shares of the Company at a price equal to the lesser of: (A) a 15% discount to the price attributable to the Shares issued in connection with the Qualified Financing; and (B) the Maturity Conversion Price of $2.00 per share at any time at the discretion of the debenture holder. Upon assumption by the Company on the Acquisition Date, the convertible debenture was valued at $526,348.

The value of the debenture as at March 31, 2023, is $1,093,209.

	$
Balance, December 31, 2021	461,408
Acquisition (Note 11)	526,348
Addition	50,000
Accretion expense	45,553
Accretion expense (Embark)	(34,799)
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	1,071,426
Accretion expense	12,533
Finance charge	9,250
Balance, March 31, 2023	1,093,209

14) Short term loans

The Company entered into three short term loans over the year 2022:

- The related party loans are non-interest-bearing and are repayable at any time.
- The purchase order factoring of individuals related to the CEO consisted of two individuals each providing $125,000 USD with a $25,000 USD financing fee each. $25,000 USD of the principal was repaid during 2022, resulting in $275,000 USD outstanding.
- The Company entered into several factoring agreements against purchase order receivables with several creditors.

	March 31, 2023	December 31, 2022
	$	$
Related party	30,000	30,000
Purchase order factoring – individuals related to CEO	372,461	372,461
Purchase order factoring – Embark	1,235,405	1,291,401
Balance, December 31, 2022	1,637,866	1,693,862

(Expressed in Canadian dollar, unless otherwise noted)

15) CEBA loans

In April 2020, the Government of Canada funded the loan program Canada Emergency Business Account ("CEBA"). Companies were offered a $40,000 non-interest-bearing loan with 25% loan forgiveness automatically applied if $30,000 of the loan was repaid prior to December 31, 2021.

The repayment terms have since extended to December 31, 2023, and the loan offer has increased to $60,000 with 33.33% of forgiveness automatically applied if 66.66% of the payment is received prior to December 31, 2023. The loan is repayable at any time without penalty, but amounts repaid cannot be readvanced.

If the term loan is not repaid by Dec 31, 2023, the term loan will automatically renew with a maturity date of December 31, 2025, subject to interest at 5% per annum, with payments of interest due monthly. In the event of default, the loan payable becomes due immediately.

	$
Balance, December 31, 2021	99,978
Acquisition (Embark Acquisition)	120,000
Accretion expense	10,022
Balance, December 31, 2022	230,000
Balance, March 31, 2023	230,000

The CEBA loans are accounted for using the amortized cost method discounted at an effective interest rate with the discount portion recorded as a government grant.

16) Share capital

Authorized

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

Issued

During the three months ended March 31, 2023, no shares were issued

During the year ended December 31, 2022, the Company entered into the following share capital transactions:

- On January 19, 2022, the Company issued 100,000 common shares to an external investor upon their exercise of stock options at the price $0.275 per share.
- On January 27, 2022, the Company issued 54,925,889 common shares valued at $10,161,289 pursuant to the acquisition of Embark (Note 11).
- On February 23, 2022, the Company issued 6,839,126 common shares to settle $1,368,226 of debt owned to various vendors. The common shares had a fair value of $1,094,260 and the Company recognized a loss on the settlement of debt of $273,966.

(Expressed in Canadian dollar, unless otherwise noted)

16) Share capital (continued)

Obligations to issue shares:

During the year ended December 31, 2019, the Company received $1,000,000 of proceeds towards the exercise of certain share purchase warrants issued during 2018.

As at March 31, 2023, these warrants remained outstanding and unexercised. As a result, the amount remained to be classified as obligations to issue shares on the condensed interim consolidated statement of financial position as at March 31, 2023.

17) Stock options

In 2018, the Company adopted an incentive stock option plan ("Plan"). Pursuant to the Company's stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company. The expiry date for each option is determined by the board of directors at the time such option is granted. All options under the plan are non-assignable, non-transferrable and only exercisable by the optionee.

During the three months ended March 31, 2023, no shares were issued or exercised.

During the year ended December 31, 2022:

- On February 23, 2022, the Company granted 2,000,000 options with an exercise price of $0.20 to a consultant and a director. The options vested 100% on the date of grant.

A summary of the changes in the share options are presented below:

	Options outstanding	Weighted-average exercise price
At December 31, 2021	9,901,865	0.48
Granted	2,000,000	0.20
Exercised	(100,000)	0.28
Forfeited	(7,201,865)	0.38
At December 31, 2022	4,600,000	0.52
At March 31, 2023	4,600,000	0.52

The following table summarizes information about the share options outstanding and exercisable at March 31, 2023:

Expiry date	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price $	Weighted average remaining contractual life
May 19, 2023 (1)	1,000,000	1,000,000	1.50	0.13
June 23, 2023 (1)	2,000,000	1,000,000	0.20	0.23
October 5, 2023	1,000,000	1,000,000	0.28	0.52
February 28, 2024	250,000	250,000	0.50	0.92
July 31, 2024	350,000	350,000	0.25	1.34
	4,600,000	3,600,000	0.52	0.39

(i) Subsequent to March 31, 2023, 3,000,000 stock options expired unexercised.

(Expressed in Canadian dollar, unless otherwise noted)

17) Stock options (continued)

During the three months ended March 31, 2023, the Company recognized share-based payments expense of $nil (2022 - $229,724).

The estimated grant date fair value of the options granted during the three months ended March 31, 2023 and 2022 was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2023	2022
Risk-free interest rate	1.49%	1.49%
Expected life (years)	1.33	1.33
Annualized volatility	120.7%	120.7%
Dividend rate	0%	0%

18) Share purchase warrants

A summary of the changes in the share purchase warrants are presented below, there were no changes in the three months ended March 31, 2023.

	Warrants outstanding	Weighted-average exercise price
		$
At December 31, 2021	5,542,133	1.13
Granted	5,279,237	1.47
Exercised	(2,542,133)	1.87
At December 31, 2022	8,279,237	1.12
At March 31, 2023	8,279,237	0.78

The following table summarizes information about the share options outstanding and exercisable at March 31, 2023:

Expiry date	Exercise price	Number of shares options outstanding	Weighted average remaining contractual life
	$		
December 14, 2023	0.50	3,000,000	0.71
January 27, 2024	1.47	5,279,237	0.83
	1.12	8,279,237	0.78

(Expressed in Canadian dollar, unless otherwise noted)

19) Non-controlling interest

The non-controlling interest attributes to the common shares representing 21% equity interest in Naturo Springs Ltd. held by non-controlling interest holders and is related to the consideration transferred in the acquisition of Naturo as described in Note 11. During the year ended December 31, 2022, the continuity of equity attributable to the non-controlling interest is as follows:

	Amount
Balance, December 31, 2021	(153,817)
Share of net loss for the period	(126,961)
Balance, December 31, 2022	(280,778)
Share of net loss for the period	(31,545)
Balance, March 31, 2023	**(312,323)**

20) Financial instruments

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of the Company's financial assets and liabilities including cash, amounts receivable and deposits and trade and other payables included in the consolidated statement of financial position as at March 31, 2023 and December 31, 2022, approximate their fair value due to their short terms to maturity.

Financial risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks in the three months ended March 31, 2023.

(Expressed in Canadian dollar, unless otherwise noted)

20) Financial instruments (continued)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and trade receivables. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to trade receivables as large amounts of its trade receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support trade receivables. Trade receivables are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond the amounts provided for collection loss, is inherent in trade receivable.

Among amounts receivable, there is reserve income asset which primarily comprises balances either held back by the banks or amount recoverable from the government authority. Management believes the risk of loss on the reserve income asset to be minimal.

There are two customers accounting for more than 10% of gross revenue the Company generated during three months ended:

For the period ended	March 31, 2023	March 31, 2022
Customer A	87%	21%
Customer B	0%	16%
Total	87%	37%

The amount receivable from these customers constitutes 87% and nil respectively (2022 – 19% and 16%) of the amount receivable and has been fully received subsequent to March 31, 2023.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rate. The Company is exposed to interest rate risk on its cash and debt instruments and has determined there is no material exposure related to interest rate risk as the debt is fixed rate.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is limited as the majority of its sales and expenditures are denominated in the same currency as its functional currency.

(Expressed in Canadian dollar, unless otherwise noted)

21) Segmented information

The Company determines its reportable segments based on the nature of operations and includes three operating segments: alkaline and mineralized beverages and supplements, CBD beverage and eCommerce. The alkaline and mineralized beverages include the development and manufacturing of TRACE brand and other beverages and supplements. The CBD beverage include the development and/or production of cannabinoid beverages and supplements for both in-house brands and white-label customers. The eCommerce segment includes direct-to-customer sales of natural health products including nutraceutical and hemp-based CBD products.

The Company' financial information by reportable segment for the three months year ended March 31, 2023 is as follows:

Three months ended March 31, 2023:

	Non-Cannabis Beverage $	Cannabis Beverage $	eCommerce $	Total $
Revenue from external customers	37,945	522,591	-	560,536
Cost of revenue	41,716	357,516	106	399,338
Depreciation and amortization	33,777	158,966	-	192,743
Other selling, general and administrative expenses	210,290	1,249,927	4,426	1,464,643
Segment income (loss)	(247,838)	(1,243,818)	(4,532)	(1,496,188)
Segment assets	15,800,611	5,450,083	323,564	21,574,258
Segment liabilities	11,416,970	5,195,221	165,870	16,778,061

Three months ended March 31, 2022:

	Non-Cannabis Beverage $	Cannabis Beverage $	eCommerce $	Total $
Revenue from external customers	69,397	861,355	356,462	1,287,214
Cost of revenue	74,140	595,320	334,567	1,004,027
Depreciation and amortization	37,300	165,757	-	203,057
Other selling, general and administrative expenses	300,409	2,131,723	37,509	2,469,641
Segment income (loss)	(342,452)	(2,031,445)	(15,614)	(2,389,511)
Segment assets	16,558,376	22,628,459	466,087	39,652,922
Segment liabilities	11,661,624	5,581,766	194,002	17,437,392

(Expressed in Canadian dollar, unless otherwise noted)

21) Segmented information (continued)

The Company' financial information by geography for the three months ended March 31, 2023 and year ended December 31, 2022 is as follows:

	Canada $	U.S.A. $	Total $
Assets			
As at March 31, 2023			
Current	2,394,665	323,564	2,718,229
Non-current	18,856,029	-	18,856,029
Total assets	21,250,694	323,564	21,574,258
As at December 31, 2022			
Current	2,409,628	340,869	2,750,497
Non-current	19,048,772	-	19,048,772
Total assets	21,458,400	340,869	21,799,269
Revenue			
For the three months ended March 31, 2023	560,536	-	560,536
For the year ended March 31, 2022	930,752	356,462	1,287,214
Net income (loss)			
For the three months ended March 31, 2023	(1,590,521)	(4,426)	(1,594,947)
For the year ended March 31, 2022	(2,259,515)	(15,614)	(2,275,129)

22) Commitments and contingencies

(a) Commitments

Contractual Obligations

As at March 31, 2023	Carrying amount $	Contractual cash flows $	Under 1 year $	1-3 years $
Trade payable and accrued liabilities	11,210,425	11,210,425	11,210,425	-
Due to related parties	105,000	105,000	105,000	-
Promissory note	2,446,405	2,446,405	2,446,405	-
ST Loan Payable	1,637,866	1,637,866	1,637,866	-
Convertible debentures	1,093,209	1,093,209	1,093,209	-
CEBA loan	230,000	230,000	-	230,000
Total	16,722,905	16,722,905	16,492,905	230,000

22) Commitments and contingencies (continued)

(b) Contingencies

The Company is a party to a variety of agreements in the ordinary course of operation, under which it may be obligated to indemnify third parties with respect to certain matters. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company. Management assesses such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to claims, proceedings or litigation that are pending against the Company or unasserted claims that may result in such proceedings, if the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements.

During 2021, the Company received a claim for an alleged settlement of damages. Legal advice obtained as at the time the financial statements were prepared indicated that it is likely that the claim could result in an award of $125,000 (Note 13), as such, the company has expensed this amount as a loss on debt settlement in 2021. This was settled and paid in full in July of 2023

The Company is involved in other litigation and disputes arising in the normal course of operations. Management is of the opinion that the outcome of any potential litigation will not have a material adverse impact on the Company's financial position or results of operations. Accordingly, no provisions for the settlement of other outstanding litigation and potential claims have been accrued.

23) Capital management

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company's main source of funds is from its ability to raise public and/or private equity or loan financing. The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In 2022 the capital focus was on reduction of expenses and conservation of cash. This was completed through the development of purchase order factoring.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash to include amounts held in banks. The Company places its cash with institutions of high credit worthiness.

The Company is not subject to any externally imposed capital requirements. There is no change in the way the Company manages its capital during the three months ended March 31, 2023.

24) Subsequent Events

Debt

On July 21, 2023, Naturo received $600,000 short term mortgage loan from a third-party group. The loan is secured with second charge on Naturo's land and property at Bridesville. The loan is due in three months, bearing an interest of 13.5% per annum, compounded monthly for first two months and 21% per annum, after two months. Naturo paid a 2% fee to the broker and a $3,000 fee for closing the short-term loan. Naturo used $200,000 of the proceeds to pay off outstanding debt, which included a $125,000 CPL charge against the property and $400,000 for working capital.

Purchase Order Factoring

Subsequent to March 31, 2023, Naturo and Embark entered into several facilitation agreements against purchase order receivables with several creditors and obtained total advances of approximately $750,441 For the amounts advanced against the purchase order receivables, Naturo and Embark has repaid approximately $839,412 and incurred facilitation fees of $76,429 in total.