BEVCANNA ENTERPRISES INC.

Consolidated Financial Statements

For the Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
BevCanna Enterprises Inc.

Opinion

We have audited the financial statements of BevCanna Enterprises Inc. (the Company), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of loss and comprehensive loss, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current and prior period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit and also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Furthermore, our responsibilities in a Company audit are to: (i) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements., (ii) being responsible for the direction, supervision and performance of the Company audit and (iii) remain solely responsible for our audit opinion.

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

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

GreenGrowthCPAs

April 29, 2024

Marko Glisic
GreenGrowth CPAs
10250 Constellation Blvd.
Los Angeles, CA 90067

(Expressed in Canadian dollar, unless otherwise noted)

	Notes	December 31, 2023	December 31, 2022
ASSETS		$	$
Current			
Cash and cash equivalents	4	139,216	135,802
Receivables	5	308,070	601,085
Inventory	6	132,434	332,182
Prepaid expenses and deposits	7	140,648	486,495
Current assets classified as discontinued operations		74,584	1,194,933
		794,952	2,750,497
Property, plant and equipment, net	8	11,676,297	13,922,747
Intangible assets	9	598,012	598,012
Non-current assets classified as discontinued operations		-	4,528,013
		13,069,261	21,799,269
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	12, 24	7,910,615	5,477,049
Deferred revenue		27,457	27,457
Short term loan payable	16	1,783,716	372,461
Due to related parties	14	52,541	105,000
Promissory note	13	2,588,049	2,431,468
Convertible debentures	15	605,958	579,876
Current liabilities classified as discontinued operations		4,184,173	6,137,915
		17,152,509	15,131,226
Non-current			
CEBA loans	17	80,000	80,000
Non-current liabilities classified as discontinued operations		150,000	150,000
		17,382,509	15,361,226
Shareholders' equity (deficit)			
Share capital	18	131,514,466	131,081,326
Common shares held in treasury		(3,790,545)	(5,144,671)
Obligation to issue shares	18	1,000,000	1,000,000
Reserve	18,19, 20	26,937,324	26,937,324
Accumulated other comprehensive income		7,171	1,012
Deficit		(159,284,163)	(147,156,170)
Equity (Deficit) attribute to shareholders of the parent		(3,615,747)	6,718,821
Deficit attribute to non-controlling interest	21	(697,501)	(280,778)
		(4,313,248)	6,438,043
		13,069,261	21,799,269

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 24)
Subsequent events (Note 27)

Approved and authorized for issue on behalf of the Board of Directors on April 29, 2024

"Marcello Leone"
Director, Marcello Leone

"John Campbell"
Director, John Campbell

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

BevCanna Enterprises Inc.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2023	2022
		$	$
Revenue	23	749,536	1,378,126
Cost of revenue	23	(723,787)	(1,517,527)
Gross profit (loss)		25,749	(139,401)
Expenses			
Amortization	8	663,490	748,034
Filing expense		21,403	88,475
Investors relations		20,700	199,910
Marketing		100,399	252,476
Management fee	14	637,500	717,288
Legal fee		704,109	655,334
Plant operation and office expenses		878,640	839,219
Professional fee		2,485,906	1,721,635
Rent		68,000	1,750
Research and development		344	3,123
Salaries		269,865	277,783
Share-based payments		-	229,724
Travel		2,921	17,945
		5,853,277	5,752,696
Other expenses (income):			
Accretion expense	14, 15	27,712	53,057
Finance cost		1,013,774	294,873
Foreign exchange loss (gain)		(15,984)	44,018
Other Losses		54,614	
Impairment of property, plant and equipment		1,251,467	-
Impairment of prepaids & deposits		342,247	-
Impairment of inventory		78,281	-
Gain on debt settlement		(1,332,831)	(319,857)
Loss on disposal of assets		297,059	-
		1,716,339	72,091
Net loss for the year from continuing operations		(7,543,867)	(4,724,188)
Net loss from discontinued operations		(5,000,849)	(11,017,291)
Net loss for the year attributable to:			
Shareholders of the parent		(12,127,993)	(16,854,518)
Non-controlling interest	21	(416,723)	(126,961)
Other comprehensive income (loss)			
Item that may be reclassified subsequently to income or loss:			
Exchange differences on the translation of foreign operation		22,553	16,394
Total comprehensive loss		(12,522,163)	(16,965,085)
Total comprehensive loss for the year attributable to:			
Shareholders of the parent		(12,105,440)	(16,838,124)
Non-controlling interest	21	(416,723)	(126,961)
Loss per share attributes to shareholders of the parent (basic and diluted)		(1.08)	(0.14)
Weighted average number of shares outstanding (basic and diluted)		11,557,332	111,743,700

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

BevCanna Enterprises Inc.

Consolidated Statements of Changes in Shareholders' Equity (audited)
(Expressed in Canadian dollars)

	Common shares		Additional paid-up capital	Common shares held in treasury	Reserve	Obligation to issue shares	Accumulated other comprehensive income (loss)	Deficit	Equity (Deficit) attributable to shareholders of the parent	Deficit 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	1,133,916	-	-	(108,304)	-	-	-	1,025,612	-	1,025,612
Shares issued for options exercised	100,000	36,986	-	-	(9,486)	-	-	-	27,500	-	27,500
Shares issued for acquisition	49,025,197	9,318,615	-	-	235,242	-	-	-	9,553,857	-	9,553,857
Share-based payments	-	-	-	-	229,724	-	-	-	229,724	-	229,724
Net loss and comprehensive loss	-	-	-	-	-	-	13,020	(16,854,518)	(16,841,498)	(126,961)	(16,968,459)
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
Shares issued for debt settlement	87,363,286	1,747,266	(1,354,126)	1,354,126	-	-	-	-	1,787,266	-	1,787,266
10 to1 Share consolidation	(291,102,874)	-	-	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	6,159	(12,127,993)	(12,121,834)	(416,723)	(12,538,557)
Balance, December 31, 2023	32,344,878	132,828,592	(1,354,126)	(3,790,545)	26,937,324	1,000,000	7,171	(159,284,163)	(3,615,747)	(697,501)	(4,313,248)

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

BevCanna Enterprises Inc.

Consolidated Statements of Cash Flows (audited)
(Expressed in Canadian dollars)

Year ended December 31,	2023	2022
	$	$
Operating activities		
Net loss	(12,544,716)	(16,981,479)
Items not affecting cash:		
Amortization	663,490	748,034
Accretion expense	27,712	53,057
Finance costs	1,013,774	294,873
Impairment of property, plant & equipment	1,251,467	-
Impairment of prepaids & deposits	342,247	-
Impairment of inventory	78,281	-
Impairment of intangible assets	-	-
Impairment of goodwill	-	-
Gain on debt settlement	(1,332,831)	(319,857)
Loss on disposal of assets	297,059	-
Unrealized foreign exchange loss	3,194	(5,327)
Changes in assets held discontinued operation	4,904,590	12,222,730
	(5,295,733)	(3,972,587)
Changes in non-cash working capital items:		
Receivable	293,015	258,109
Prepaid expenses and deposits	3,600	179,047
Inventory	121,467	291,508
Deferred revenue	-	(193,640)
Accounts payable and accrued liabilities	4,892,893	4,172,400
Due to related parties	(1,222,429)	(594,762)
Cash used in (provided by) operating activities	(1,207,187)	140,073
Investing activities		
Purchase of property, plant and equipment	(6,300)	(245,008)
Cash from acquisitions	-	-
Cash used in investing activities	(6,300)	(245,008)
Financing activities		
Proceeds from options exercised	-	27,500
Proceeds from short-term loan	1,420,000	-
Interest paid	(206,063)	(20,000)
Cash provided by financing activities	1,213,937	7,500
Increase (decrease) in cash and cash equivalents	450	(97,435)
Effect of change in foreign exchange rate on cash	2,965	2,965
Cash and cash equivalents, beginning	135,802	230,271
Cash and cash equivalents, ending	139,216	135,802

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	239,763	250,862

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

1) Nature of operations and Going Concern

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 and markets the TRACE brand of Blackwater and alkaline water, concentrates, and shots, additionally it offers custom beverage manufacturing on a private and white label basis through its wholly-owned subsidiary Naturo (Note 11). The Company also provides direct-to-consumer eCommerce sales of nutraceutical products through its wholly-owned subsidiary Pure Therapy.

Going concern

As of December 31, 2023, the Company has accumulated deficits of $159,284,163, of which the non-cash portion was $127,402,718 or 80%, and negative working capital of $16,357,557 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.

The Company intends to primarily rely on its ability to fund operations through future private placement equity financings, share for debt settlements, and/or long-term convertible or standard debt, but there is no guarantee the Company will be able to raise any such funds to address the deficiency or, if it can, on terms favorable to the Company. Further, any such equity financings, share for debt settlements, and/or convertible debt may materially dilute existing shareholders. 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.

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. See note 25 for details of subsequent events that are pertinent to the Company's ability to continue as a going concern.

2) Basis of presentation

(a) Statement of compliance

These consolidated financial statements were approved by the Company's Board of Directors on April 29, 2024.

2) Basis of presentation (continued)

(b) Basis of measurement

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

(c) Basis of consolidation

These 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 Inc. ("Springs")	Bottled spring water	Canada	79%
Embark Health, Inc. ("Embark")	Manufacturing products	Canada	100%

On December 12, 2023, Naturo Springs Inc. made an assignment in bankruptcy. There were no assets left before the Company filed for bankruptcy.

Carmanah Craft Corp. ("Carmanah") dissolved in November 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 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 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.

2) Basis of presentation (continued)

(e) Use of estimates and judgments (continued)

Assets held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of loss and comprehensive loss.

2) Basis of presentation (continued)

(e) Use of estimates and judgements (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 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.

iii. 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.

iv. 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.

v. 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.

3) Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9 *Financial Instruments: Classification and Measurement*. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial asset / liability	**IFRS 9 Classification**
Cash	FVTPL
Amounts receivable	Amortized cost
Prepaids & deposits	Amortized cost
Marketable securities	FVTPL
Trade payable	Amortized cost
Due to related parties	Amortized cost
Promissory note	Amortized cost
ST Loan payable	Amortized cost
Convertible debentures	Amortized cost
CEBA loan	Amortized cost

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

3) Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of financial assets
IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to an estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

Impairment of financial assets (continued)
In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables and due to related parties are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

(b) Business combinations

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

3) Summary of significant accounting policies (continued)

(b) Business combinations (continued)

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer on behalf of the acquiree, any contingent consideration and the equity interests issued by the Company. Transaction costs, other than those associated with the issuance of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

The acquisition date is the date when the Company obtains control of the acquiree. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is re-measured at subsequent reporting dates in accordance with the criteria and guidance provided under IFRS with corresponding gain or loss recorded in the consolidated statements of loss and comprehensive loss.

(c) Intangible assets

Intangible assets are recorded as cost less accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets are assessed as either finite or indefinite. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate and are treated as a change in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive loss. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are primarily comprised of the library of brand, water rights, marketing intangibles and Independent Business Owner ("IBO") relationships acquired from external acquisitions and are classified as finite use life intangible assets and are amortized as follows:

	Useful Life (years)
IBO relationships	2
Marketing intangibles	9
Brand	20

3) Summary of significant accounting policies (continued)

(d) Inventory

Inventory consists primarily of finished goods, raw ingredients and packaging. Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method of inventory costing. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company's distribution centers. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records it as a charge to cost of sales.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and impairment charges. The cost of repair and maintenance is expensed as incurred. Depreciation is provided using the declining balance method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the property and equipment and any gain or loss is recorded to profit or loss.

The significant class of property and equipment is as follows:

	Depreciation rate
Building and warehouse	4%
Furniture and equipment	20%

Land and construction-in-progress are not amortized.

(f) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment annually or when a triggering event for impairment is identified.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to a CGU for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to the CGU that is expected to benefit from the business combination in which the goodwill arose.

When the recoverable amount of each separately identifiable asset or CGU is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. The recoverable amount of an asset or a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the asset or CGU, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the asset or CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

3) Summary of significant accounting policies (continued)

(f) Impairment of non-financial assets (continued)

For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU on a pro-rata basis. Impairment losses and reversals are recognized separately from operations in the consolidated statement of loss and comprehensive loss.

A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

(g) Non-controlling interest ("NCI")

NCI is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between NCI and shareholders of the parent. NCI in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(h) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

Translation of foreign currency transactions

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period, except for exchange differences relating to borrowings hedging net investments denominated in the consolidated subsidiaries' currency. These differences are recognized in other comprehensive income as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized as finance costs or income, or in other comprehensive income.

Translation of foreign operations

The assets and liabilities of a foreign operation, including goodwill and fair value adjustments arising from the acquisition, are translated in Canadian dollars at year-end exchange rates. Income and expenses, and cash flows of a foreign operation are translated in Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in equity. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

3) Summary of significant accounting policies (continued)

(i) Convertible debentures

The components of the compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debentures using the effective interest rate method.

(j) Revenue Recognition

The Company derives its revenue from sales of manufactured CBD beverage products and manufactured bottled water, as well as direct online sales of natural health products through its e-commence platform operated by Pure Therapy. In addition, the Company derives revenue from providing CBD beverage production services for white-label clients. To recognize its revenue, the Company performs the five-step model analysis in accordance with IFRS 15 *Revenue from Contract with Customers* as follows:

1) Identify the contract with the customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contracts; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenues from its beverage and natural health product sales when the products are delivered or drop-shipped to the customers and there is no unfulfilled obligation that could affect the customer’s acceptance. These criteria are generally met at the time the products are dispatched, which is generally when control of the goods has passed to the customer.

The Company also generates its revenue from providing production services of beverages to white-label clients. For such manufacturing orders, the Company’s performance obligation is the production of CBD beverages. Once the production is completed and a production report is provided, it’s considered that the Company has fulfilled its performance obligation, at which time the Company become entitled to the amount outlined per the manufacturing order.

Revenue is recognized at the fair value of the consideration received or receivable. Consideration that is received and being processed at the bank but not yet released to the Company is recognized as reserve income asset in amounts receivable.

3) Summary of significant accounting policies (continued)

(k) Share-based payments

The Company may receive or acquire goods or services in a share-based transaction. The Company recognizes a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. For equity-settled share-based payment transactions, the Company measures the goods or services received and the corresponding increase in equity directly at the fair value of the goods or services received, unless the fair value of the goods or services received cannot be estimated reliably, the Company measures their value and the corresponding increase in equity by reference to the fair value of the equity instruments issued.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to equity reserve. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

(l) Share capital

The Company records proceeds from share issued net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the common shares are issued.

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

(m) Loss per share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

3) Summary of significant accounting policies (continued)

(n) Operating Segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other operating segments. All operating segments' results are reviewed regularly by the Company's executive management (Chief Executive Officer, Chief Financial Officer) to make decisions about resources to be allocated to the operating segment and assess its performance. Operating segment results that are reported to executive management and include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis. The Company's operating segments are defined in Note 24.

(o) Income taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) Comparative Figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

(Expressed in Canadian dollar, unless otherwise noted)

4) Cash and cash equivalents

	December 31, 2023 $	December 31, 2022 $
Cash deposited at banks	125,537	108,696
Cash held in trust	13,565	25,000
Cash held at e-commerce merchants	114	2,106
	139,216	135,802

5) Receivables

	December 31, 2023 $	December 31, 2022 $
Trade receivables	418,592	409,714
Reserve income asset	-	182,232
GST receivable	80,714	19,628
Other receivables	-	-
	499,306	611,575
Allowance for doubtful accounts	(191,236)	(10,490)
	308,070	601,085

Reserve income asset balances comprise amounts (eCommerce payments) being processed by banks and not released to the Company as at December 31, 2022.

As at December 31, 2023 the Company rendered the remaining held reserve income asset amounts non-collectible resulting in a loss of discontinued operations of $141,333.

During the year ended December 31, 2023, there is $191,236 (2022 - $10,490) bad debt expense recognized on the consolidated statement of comprehensive loss.

6) Inventory

	December 31, 2023 $	December 31, 2022 $
Bottles and packaging	53,125	6,261
Finished goods	89,560	94,477
Raw materials	68,030	231,444
Write-off of inventory	(78,281)	-
	132,434	332,182

During the year ended December 31, 2023, the Company recorded an impairment charge of $78,281 against inventory.

(Expressed in Canadian dollar, unless otherwise noted)

7) Prepaid expenses and deposits

	December 31, 2023 $	December 31, 2022 $
Prepaid expenses	140,648	482,495
Deposits on equipment	-	4,000
	140,648	486,495

8) Property, plant and equipment

	Land $	Furniture and equipment $	Construction-in-progress $	Buildings and warehouse $	Leasehold improvements $	Total $
Cost						
At December 31, 2021	1,350,000	2,502,935	-	15,990,889	34,917	19,878,741
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)
Assets reclassified as discontinued operations		(181,540)	-	(1,315,925)	(34,917)	(1,532,382)
At December 31, 2022	1,350,000	2,535,138	9,507	14,704,964	-	18,599,608
Additions	-	6,300	-	-	-	6,300
Assets put into service	-	-	(9,507)	9,507	-	-
Disposals	-	(1,468,719)	-	-	-	(1,468,719)
At December 31, 2023	1,350,000	1,072,719	-	14,714,471	-	17,137,189
Accumulated amortization						
At December 31, 2021	-	1,074,324	-	2,874,547	34,917	3,983,788
Amortization	-	274,680	-	476,759	(3,404)	748,034
Assets reclassified as discontinued operations	-	(41,013)	-	(13,075)	(873)	(54,960)
At December 31, 2022	-	1,307,992	-	3,338,231	30,640	4,676,862
Amortization	-	220,930	-	444,859	(2,298)	663,490
Disposals		(1,130,927)	-	-	-	(1,130,927)
Impairment		23,458	-	1,256,351	(28,342)	1,251,467
At December 31, 2023	-	421,452	-	5,039,441	-	5,460,894
Net book value						
At December 31, 2022	1,350,000	1,227,146	9,507	11,366,732	(30,640)	13,922,747
At December 31, 2023	**1,350,000**	**651,266**	**-**	**9,675,029**	**-**	**11,676,297**

(Expressed in Canadian dollar, unless otherwise noted)

9) Intangible assets

	IBO relationships $	Marketing intangibles $	Brand (a) $	Total $
Cost				
At December 31, 2021	3,340,000	590,000	680,000	4,610,000
Additions	-	-	5,436,580	5,436,580
Intangible assets reclassified as discontinued operations			(5,436,580)	(5,436,580)
At December 31, 2022	3,340,000	590,000	680,000	4,610,000
Additions	-	-	-	-
At December 31, 2023	3,340,000	590,000	680,000	4,610,000
Accumulated amortization				
At December 31, 2021	3,340,000	590,000	29,342	3,959,342
Amortization	-	-	-	-
Intangible assets reclassified as discontinued operations	-	-	52,646	52,646
At December 31, 2022	3,340,000	590,000	81,988	4,011,988
Amortization	-	-	-	-
At December 31, 2023	3,340,000	590,000	81,988	4,011,988
Net book value				
At December 31, 2022	-	-	598,012	598,012
At December 31, 2023	-	-	598,012	598,012

(a) *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. 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.

(Expressed in Canadian dollar, unless otherwise noted)

9) Intangible assets (continued)

(a) *Acquisition of Embark*

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

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 year ended December 2023, Embark has contributed a net loss of $3,232,576 (2022 – loss $10,069,961) to the consolidated statements of comprehensive loss of the Company.

(Expressed in Canadian dollar, unless otherwise noted)

10) 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:

	December 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.

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 year ended December 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 December 31, 2022, the Company recorded $3,736,078 impairment charge related to its goodwill.

(Expressed in Canadian dollar, unless otherwise noted)

11) Discontinued operations

In Q4 2023, the Company made a strategic decision to exit the cannabis market, classifying the Embark and BevCanna Operating segments as discontinued operations in the consolidated financial statements. Financial information relating to the discontinued operations for the years ended December 31, 2023 and 2022 is set out below:

	December 31, 2023 $	December 31, 2022 $
Revenue	1,488,338	4,456,438
Cost of Revenue	1,062,614	3,047,820
Gross Margin	425,724	1,408,618
Operating expenses	1,255,594	2,795,951
Loss from operations	(829,870)	(1,387,333)
Impairment	4,849,665	8,211,327
Other (income) expenses	(678,686)	1,418,631
Net income (loss) from discontinued operations	(5,000,849)	(11,017,291)

For the year ended December 31, 2023, operating expenses includes a credit loss of $655,089 pertaining to the Embark operating segment.

	December 31, 2023 $	December 31, 2022 $
Net cash provided by (used in) operations	(1,207,187)	140,073
Net cash used in investing activities	(6,300)	(245,008)
Net cash used in financing activities	1,213,937	7,500
Increase (decrease) in Cash	450	(97,435)

On January 25, 2024, BevCanna Operating made an assignment to file for insolvency.

12) Accounts payable and accrued liabilities

	December 31, 2023 $	December 31, 2022 $
Trade payables	5,225,766	3,861,567
Accrued liabilities	2,684,850	1,611,663
Excise tax payable	-	3,820
	7,910,615	5,477,049

13) 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.

(Expressed in Canadian dollar, unless otherwise noted)

13) Promissory note (continued)

As at December 31, 2023, the outstanding balance of the loan and accrued interest was $2,588,049.

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.

14) 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:

Year ended December 31,	2023 $	2022 $
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	240,000	240,000
Chief Executive Officer ("CEO")	305,000	357,659
President	300,000	-
Former President	113,335	200,004
Former President	194,599	180,808
Directors	97,289	120,000
Company controlled by individual related to CEO	152,500	164,040
Company controlled by individual related to Former President	52,500	-
Individual related to CEO	53,258	54,571
Share-based payments		
CFO & CSO	-	155,177
Former President	-	6,950
	1,508,480	1,479,209

(Expressed in Canadian dollar, unless otherwise noted)

14) Related party transactions and balances (continued)

Related Parties Balances: (continued)

As at December 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:

As at December 31,	2023	2022
	$	$
Accounts payable and accrued liabilities:		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	462.000	210,000
Chief Executive Officer ("CEO") *(i)*	616,114	333,898
President	339,000	-
Former President	105,921	67,003
Former President	76,552	78,500
Directors	228,403	123,250
Company controlled by individual related to CEO	343,961	196,512
Individual related to CEO *(ii)*	139,955	142,404
Subtotal	**2,311,906**	**1,156,567**
Convertible Debenture		
Directors	57,917	**-**
Subtotal	**57,917**	**-**
Short- term loans		
Company controlled by individual related to CEO	203,160	203,160
Individual related to CEO *(ii)*	169,300	169,300
Subtotal	**372,460**	**372,460**
Due to related parties		
Chief Executive Officer ("CEO")	47,541	110,958
Company controlled by individual related to CEO	5,000	5,000
Subtotal	**52,541**	**115,958**
Total	**2,794,824**	**1,639,985**

(i) The CEO also provided a shareholder loan to the company of $100,000 in 2022. During the period ended December 31, 2023, a partial repayment of $52,459 was made on this loan.

(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 the end of September 30, 2023, $275,000 USD remained outstanding. During the year ended December 31, 2023, additional financing fees of $25,000 USD and $10,000 CAD were incurred for the extended repayment period.

15) 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.

On December 31, 2023, $28,603 accrued interest remains outstanding for the BevCanna Debenture.

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 was paid during the year ended December 31, 2023.

(Expressed in Canadian dollar, unless otherwise noted)

15) Convertible debentures (continued)

The value of the debenture as at December 31, 2023, is $605,959.

	$
Balance, December 31, 2021	461,408
Addition	50,000
Accretion expense	45,553
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	579,876
Accretion expense	27,599
Finance charge	(1,517)
Balance, December 31, 2023	605,958

16) 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.

On July 11th, 2023, Naturo Group entered into a loan agreement with a private lender for $600,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 13.5% interest rate for the first two months, with an original term of three months, which has subsequently been extended to twelve months.

On November 7, 2023, the Company entered into a loan agreement with a private lender for $200,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from November 3rd, 2023.

On November 20, 2023, the Company entered into a loan agreement with a private lender for $100,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from November 20th, 2023.

On December 2, 2023, the Company entered into a loan agreement with a private lender for $200,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from December 2nd, 2023.

On December 6, 2023, the Company entered into a secured note agreement with two private lenders for $320,000, secured by the general assets of the Company. The loan carries a $15% interest rate, with a term of twelve months from December 6, 2023. The interest payable for the twelve months was prepaid on the date of issuance as an interest reserve to be deducted.

(Expressed in Canadian dollar, unless otherwise noted)

16) Short term loans (continued)

	December 31, 2023	December 31, 2022
	$	$
Mortgage advance	1,420,000	-
Purchase order factoring – individuals related to CEO	363,716	372,461
Balance, December 31, 2023	1,783,716	372,461

17) 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.

On January 1, 2024, the CEBA 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	120,000
Accretion expense	10,022
Reclassified as discontinued operations	(150,000)
Balance, December 31, 2022	80,000
Balance, December 31, 2023	80,000

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.

18) Share capital

Authorized

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

Issued

During the year ended December 31, 2023, the Company issued 87,363,286 common shares to settle $3,057,715 of debt owed to various vendors. The common shares had a fair value of $1,747,266 and the Company recognized a gain on the settlement of debt of $1,310,449.

On December 14, 2023, the Company transferred $1,142,857 of common shares held in trust to settle $40,000 of debt owed to one vendor.

(Expressed in Canadian dollar, unless otherwise noted)

18) Share capital (continued)

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 owed 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.

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

19) 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 year ended December 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
Forfeited	(4,000,000)	0.54
Share consolidation	(540,000)	-
At December 31, 2023	60,000	3.54

(Expressed in Canadian dollar, unless otherwise noted)

19) Stock options (continued)

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

Expiry date	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price $	Weighted average remaining contractual life
February 28, 2024	25,000	25,000	5.00	0.16
July 31, 2024	35,000	35,000	2.50	0.58
	60,000	60,000	3.54	0.41

During the year ended December 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 year ended December 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%

20) Share purchase warrants

A summary of the changes in the share purchase warrants are presented below, there were no changes in the twelve months ended December 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
Forfeited	(3,000,000)	5.00
Share consolidation	(4,751,313)	
At December 31, 2023	527,924	14.7

(Expressed in Canadian dollar, unless otherwise noted)

20) Share purchase warrants (continued)

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

Expiry date	Exercise price	Number of shares options outstanding	Weighted average remaining contractual life
	$		
January 27, 2024	14.70	527,924	0.07
	14.70	527,924	0.07

21) 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, 2023, 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	(416,723)
Balance, December 31, 2023	**(697,501)**

The following is the summarized statement of financial position of Springs as at December 31, 2022:

	2023$	2022 $
Current:		
Assets	22,311	422,735
Liabilities	(3,820,519)	(3,854,735)
Current net liabilities	(3,798,208)	(3,432,000)
Non-current:		
Assets	-	1,656,723
Liabilities	-	-
Non-current net assets	-	1,656,723
Net liabilities	(3,798,208)	(1,775,277)

(Expressed in Canadian dollar, unless otherwise noted)

21) Non-controlling interest (continued)

The following is the summarized comprehensive loss of Springs for the year ended December 31, 2023 and for the period from the Acquisition Date (Note 11) to December 31, 2022:

	2023 $	2022 $
Revenue	130,105	322,240
Expenses	(2,153,036)	(938,554)
Total comprehensive loss	(2,022,931)	(616,314)

22) 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 December 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 year ended December 31, 2023.

(Expressed in Canadian dollar, unless otherwise noted)

22) 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.

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

For the period ended	December 31, 2023	December 31, 2022
Customer A	50.8%	34.5%
Customer B	33.2%	7.0%
Customer C	2.5%	18.3%
Total	86.5%	59.7%

The amount receivable from these customers constitutes 17.4%, 0% and 0% respectively (2022 – 19.3%, 1.3% and 20.7%) of the amount receivable and has been fully received subsequent to December 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 due to changes in interest rate.
The Company is exposed to interest rate risk on its cash and debt instruments and has determined that 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)

23) 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 year ended December 31, 2023 is as follows:

Year ended December 31, 2023:

	Non-Cannabis Beverage $	ECommerce $	Total $
Revenue from external customers	749,536	-	749,536
Cost of revenue	723,787	-	723,787
Depreciation and amortization	663,490	-	663,490
Other selling, general and administrative expenses	5,174,821	14,966	5,189,787
Segment income (loss)	(5,812,562)	(14,966)	(5,827,528)
Segment assets	22,380,421	120,841	22,501,262
Segment liabilities	26,754,420	60,090	26,814,510

Year ended December 31, 2022:

	Non-Cannabis Beverage $	ECommerce $	Total $
Revenue from external customers	847,993	530,130	1,378,126
Cost of revenue	(230,286)	507,813	277,527
Depreciation and amortization	748,034	-	748,034
Other selling, general and administrative expenses	4,882,589	122,073	5,004,662
Segment income (loss)	(4,552,344)	(99,753)	(4,652,097)
Segment assets	29,490,589	338,426	29,829,015
Segment liabilities	23,218,879	172,093	23,390,972

(Expressed in Canadian dollar, unless otherwise noted)

23) Segmented information (continued)

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

	Canada $	U.S.A. $	Total $
Assets			
As at December 31, 2023			
Current	10,062,467	120,841	10,183,308
Non-current	12,274,309	-	12,274,309
Total assets	22,336,776	120,841	22,457,617
As at December 31, 2022			
Current	9,342,910	338,426	9,681,336
Non-current	14,520,759	-	14,520,759
Total assets	23,863,669	338,426	24,202,095
Revenue			
For the year ended December 31, 2023	749,536		749,536
For the year ended December 31, 2022	847,993	530,133	1,378,126
Net income (loss)			
For the year ended December 31, 2023	(7,438,620)	(105,247)	(7,543,867)
For the year ended December 31, 2022	(4,624,435)	(99,753)	(4,724,188)

24) Commitments and contingencies

(a) Commitments

Contractual Obligations

As at December 31, 2023	Carrying amount $	Contractual cash flows $	Under 1 year $	1-3 years $
Trade payable and accrued liabilities	7,910,615	7,910,615	7,910,615	-
Due to related parties	52,541	52,541	52,541	-
Promissory note	2,588,049	2,588,049	2,588,049	-
ST Loan Payable	1,783,716	1,783,716	1,783,716	-
Convertible debentures	605,958	605,958	605,958	-
CEBA loan	80,000	80,000	-	80,000
Total	13,020,879	13,020,879	12,940,879	80,000

24) 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.

During 2022, the Company received a claim for unpaid vacation pay, regular wages, and wage deferral from a former employee. The company disputes the claims, stating that all vacation pay has been settled, the individual did not work during the claimed period for regular wages, and shares were accepted instead of wage deferral repayment. As of February 21, 2024, the Employment Standards Branch determined the individual is entitled to a reduced amount of wages and interest of $3,797. This was settled and paid in full in February of 2024.

During the year 2023, the Company involved an action initiated by a service provider seeking payment of invoices totaling $3,018.75 for cleaning services rendered over three months in 2022. The claimant also sought reimbursement for tribunal-related fees and interest on the outstanding amount. Although the claim was indirectly against another party, it appears the company involved does not bear direct liability for invoice repayment. The tribunal ruled in favor of the claimant, ordering payment of $3,134.45.

In 2023, the Company received a claim of $4,800.62 for Canada-wide freight services provided. Claiming the outstanding balance as immediately due and payable, the cargo company also included dispute-related fees and expenses. On February 8, 2024, the Civil Resolution Tribunal ruled in favor of the cargo company, ordering payment of $4,950.62.

The Company is a defendant in a legal dispute initiated by another party seeking payment. As of June 22, 2023, the outstanding amounts, inclusive of interest at a rate of 21% per annum, were as follows:

- BevCanna: $118,504
- Embark: $17,605
- Naturo: $87,451

The Company will continue to accrue interest on these amounts until the judgment is paid in full. During the period ended December 31, 2023, the Company paid $70,000, and an additional $40,000 was paid subsequent to the period ended December 31, 2023. The outstanding balance stands at $153,559 at December 31, 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.

(Expressed in Canadian dollar, unless otherwise noted)

25) 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 year ended December 31, 2023.

26) Income taxes

The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2023	2022
	$	$
Net loss before income tax	(12,544,716)	(16,981,479)
Statutory income tax rate	27.00%	27.00%
Expected income tax (recovery)	(3,387,073)	(4,585,000)
Change in foreign exchange rates and other	-	-
Permanent Difference	1,641,566	2,145,000
Share issue cost	(10,567)	-
Change in unrecognized deductible temporary differences	(234,202)	2,440,000
Other	1,990,276	(-)
Total income tax recovery	-	-

(Expressed in Canadian dollar, unless otherwise noted)

26) Income taxes (continued)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2023	2022
	$	$
Deferred tax assets (liabilities)		
Non-capital losses	12,504,000	12,695,000
Property and equipment	851,000	234,000
Capital losses	-	(19,000)
Share issue costs and other	440,000	289,000
Intangible assets	-	1,441,000
	13,795,000	14,678,000
Unrecognized deferred tax assets	(13,795,000)	(14,678,000)
Net deferred tax assets	-	-

The Company has available non-capital losses of approximately $61,381,000 that expire between 2027 and 2043 and may be carried forward and applied against income for tax purposes.

27) Subsequent Events

Secured Promissory Note Financing

Subsequent to December 31, 2023, Naturo Group secured $1,062,065 through subscriptions for Secured Promissory Notes with various subscribers. The notes expire in one year and have maturity dates between January 29 to April 26, 2025, accruing interest at 15% per annum. The total interest payable is deducted from the principal amount in advance on the closing date.

Share for Debt Settlement

Subsequent to December 31, 2023, the Company settled $2,909,633 in debts owed to various vendors, consultants, and related parties by issuing 29,096,332 common shares (1,454,816 common shares, as adjusted for the 1:20 reverse stock split), of which $1,229,055 was settled with related parties. The fair value of the shares is $2,036,743, resulting in a recognized gain on debt settlement of $872,890.

Subsequent to December 31, 2023, the Company settled $1,930,743 in debts owed to various vendors, consultants, and related parties by issuing 1,755,209 common shares, of which $383,233 was settled with related parties. The fair value of the shares is $2,545,053, resulting in a recognized loss on debt settlement of $637,555.