

Sweet Poison Spirits Inc.
(formerly Yellow Stem Tech Inc.)

Condensed Interim Financial Statements

For the three months ended July 31, 2023

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at	July 31, 2023	April 30, 2023
Assets		
Current		
Cash	\$ 413	\$ 312
Amounts receivable	2,138	15,751
Other receivable (note 3)	13,177	13,562
Total Current Assets	15,728	29,625
Non-Current assets		
Fixed assets	2,305	2,766
Distribution rights (notes 3 and 4)	108,668	111,486
Data centre equipment (note 1)	98,828	101,715
Total Assets	\$ 225,529	\$ 245,592
Liabilities		
Current		
Trade and other payables (note 9)	\$ 151,438	\$ 194,353
Advances payable (note 5)	-	373,520
Total Liabilities	151,438	567,873
Equity (Deficiency)		
Share capital (note 5)	5,135,826	5,000,145
Reserves (note 5)	90,860	90,860
Accumulated deficit	(5,152,595)	(5,413,286)
Total Equity (Deficiency)	74,091	(322,281)
Total Liabilities and Equity (Deficiency)	\$ 225,529	\$ 245,592

Basis of preparation and going concern (note 2)

APPROVED ON BEHALF OF THE DIRECTORS:

“Robert Eadie”
 Robert Eadie, Director

“Gary Arca”
 Gary Arca, Director

The accompanying notes form an integral part of these unaudited condensed financial statements

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the three months ended July 31,	2023	2022
Expenses:		
Audit and accounting fees (note 9)	\$ 7,325	\$ 20,262
Depreciation and amortization	3,279	-
Foreign exchange loss	2,473	854
Legal and corporate services	16,456	11,123
Management and consulting fees (note 9)	16,500	16,500
Office, rent and administration (note 9)	4,542	7,465
Shareholder communications and marketing	1,428	16,101
Transfer agent and filing fees	3,895	18,407
Travel and accommodations	-	1,779
Total expenses	(55,898)	(92,491)
Other items:		
Gain on debt settlement (note 5)	316,589	-
Total other items	316,589	-
Total income (loss) and comprehensive income (loss) for the period	\$ 260,691	\$ (92,491)
Basic and diluted loss per share for the period	\$ 0.01	\$ (0.00)
Weighted average shares outstanding – basic and diluted – (note 6)	30,573,751	44,472,076

The accompanying notes form an integral part of these unaudited condensed financial statements

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the three months ended July 31,	2023	2022
Cash provided by (used in):		
Operating activities		
Income (loss) for the period	\$ 260,691	\$ (92,491)
Items not involving cash:		
Depreciation and amortization	3,279	461
Foreign exchange loss	2,473	-
Gain on debt settlement (note 5)	(316,589)	-
Cash spent in operating activities before working capital changes	(50,146)	(92,030)
Change in non-cash working capital items		
Amounts receivable	13,613	(4,087)
Trade and other payables	36,634	28,385
Cash inflow (outflow) for operating activities	101	(67,732)
Total increase (decrease) in cash	101	(67,732)
Cash, beginning of period	312	270,100
Cash, end of period	\$ 413	\$ 202,368

The accompanying notes form an integral part of these unaudited condensed financial statements

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Stated in Canadian Dollars)

	Number of Shares Outstanding	Share Capital	Reserves	Accumulated Deficit	Total Equity (Deficiency)
Balance – April 30, 2021	6,040,501	\$ 3,324,180	\$ 83,660	\$ (3,870,490)	\$ (462,650)
Debt settlement	4,001,250	400,125	-	-	400,125
Private placement	11,975,000	1,187,500	-	-	1,187,500
Share issuance costs	-	(59,200)	7,200	-	(52,000)
Loss for the year	-	-	-	(588,670)	(588,670)
Balance – April 30, 2022	22,016,751	4,852,605	90,860	(4,459,160)	484,305
Enigma share issuance (note 1)	1,334,000	80,040	-	-	80,040
Sweet Poison share issuance (notes 5 and 9)	2,500,000	60,000	-	-	60,000
Finders fees (note 5 and 9)	250,000	7,500	-	-	7,500
Loss for the year	-	-	-	(954,126)	(954,126)
Balance – April 30, 2023	26,100,751	\$ 5,000,145	\$ 90,860	\$ (5,413,286)	\$ (322,281)
Debt settlement (note 5)	4,522,700	135,681	-	-	135,681
Income for the year	-	-	-	260,691	260,691
Balance – July 31, 2023	30,623,451	\$ 5,135,826	\$ 90,860	\$ (5,152,595)	\$ 74,091

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

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months ended July 31, 2023 and 2022
(Stated in Canadian Dollars)

Note 1 **Corporate Information**

Sweet Poison Spirits Inc. (formerly Yellow Stem Tech Inc.) (the “Company”) was incorporated as Hemp for Health Inc. on October 1, 2018, under the Business Corporations Act of British Columbia. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the trading symbol “SPS”. In prior years, the Company was in the business of growing, processing, packaging, and selling hemp-based products in Europe and set up a wholly-owned Italian subsidiary, Hemp For Health H4H s.r.l. (“H4Hsrl”) to operate the business interests in Italy. The Company sold H4Hsrl, and effectively the hemp operations, for nominal value in March 2022.

Change of Business (“COB”)

During the year ending April 30, 2023, the Company completed the COB and changed its name to “Yellow Stem Tech Inc”. The Company entered into a binding letter of agreement to engage a third party to host cryptocurrency mining activities on behalf of the Company.

Pursuant to an asset purchase agreement and an operating agreement, both dated March 18, 2022, the Company engaged Enigma Data Technologies LLC, a Delaware based company (the “Provider”) to initially source and acquire 150 Siacoin mining rigs for the aggregate purchase price of \$672,893 (US\$525,000) (paid). The Company engaged the Provider to set-up, host and operate the cryptocurrency mining activities in exchange for 1,334,000 shares of the Company valued at fair value on date of issue of \$0.06 per share, or \$80,040. This amount was recorded as a prepaid, but has been expensed in the year ended April 30, 2023 as there is no definitive timeline to place the mining rigs into operation. To date, the Company has not commenced operation of the mining rigs as they would not be profitable at the current value of related cryptocurrencies. As at July 31, 2023, the rigs remain unpacked in warehouse storage in the United States.

The above transactions resulted in a COB for the Company and required CSE and shareholder approval. The Company announced the COB as completed on June 17, 2022. In conjunction with the COB, the Company changed its name to “Yellow Stem Tech Inc” and on June 20, 2022, the Company’s common shares commenced trading on the CSE under the trading symbol “YY”.

Name Change to Sweet Poison Spirits Inc.

On November 3, 2022, the Company signed a Product Distribution Agreement (the “Distribution Agreement”) with Sweet Poison Spirits S de RL de CV, a Mexican company headquartered in Guadalajara, Mexico, and Sweet Poison Spirits LLC, a California limited liability corporation headquartered in San Diego, California (collectively, “Sweet Poison”). The Distribution Agreement grants the Company the worldwide distribution rights to Sweet Poison’s premium Tequila and Mezcal products under the “Sweet Poison” brand names for an initial period of ten years, renewable for a further ten years and beyond (see note 3).

Note 1 **Corporate Information – (cont’d)**

The Company changed its name from Yellow Stem Tech Inc. to Sweet Poison Spirits Inc. thereafter and, on June 1, 2023, the Company’s common shares commenced trading on the CSE under the trading symbol “SPS”.

Share Consolidation

On May 1, 2023, the Company’s outstanding common shares were consolidated on the basis of two existing shares for one new share. All share, per share, and warrant amounts have been retroactively restated.

The registered address and the Company’s corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 **Basis of Preparation and Going Concern**

a) **Statement of Compliance**

These unaudited condensed interim financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim financial statements, for the three month period ended July 31, 2023, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, and do not include all the information required for full annual financial statement. For summary of significant accounting policies, see note 3 of the Company’s April 30, 2023 audited annual financial statements.

These unaudited condensed interim financial statements should be read in conjunction with the Company’s April 30, 2023 audited annual financial statements.

The financial statements were authorized for issue by the Board of Directors on October 4, 2023.

b) **Basis of Measurement and Going Concern**

The unaudited condensed financial statements have been prepared on a historical cost basis, except for cashflow information. The preparation of unaudited condensed financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company’s April 30, 2023 audited annual financial statements.

Note 2 **Basis of Preparation and Going Concern**

b) Basis of Measurement and Going Concern – (cont'd)

The Company has not generated revenue from operations and incurred an income of \$260,691 during the period ended July 31, 2023. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future. As at July 31, 2023, the Company had \$413 in cash, a working capital deficiency of \$135,710 and no long-term debt.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.

Note 3 **Sweet Poison Spirits**

On March 28, 2023, the Company closed ("Closing") on the Distribution Agreement signed November 3, 2022 with Sweet Poison by issuing the shares pursuant to the Distribution Agreement. The Distribution Agreement grants the Company the worldwide distribution rights to Sweet Poison's premium Tequila and Mezcal products under the "Sweet Poison" brand names for an initial period of ten years, renewable for a further ten years and beyond.

In consideration of the rights and licences granted by Sweet Poison, the Company issued to the shareholders of Sweet Poison 2,500,000 common shares (the "Shares") valued at fair value on date of issue of \$60,000, subject to resale restrictions as follows:

- (i) 25% of the Shares will become free-trading four months following the date of Closing ("subsequently free trading");
- (ii) 25% of the Shares will become free-trading 12 months following Closing;
- (iii) 25% of the Shares will become free-trading 18 months following Closing; and
- (iv) the remaining 25% of the Shares will become free-trading 24 months following Closing.

The Company paid Finder's Fees of 10% in the form of shares valued at fair value on date of issue of \$7,500, and other costs of \$45,000 for a total of \$112,500 as of July 31, 2023.

Concurrent with the Distribution Agreement, the Company also signed an agreement (the "Option Agreement") with the shareholders of Sweet Poison whereby the Company was granted the option to acquire all of the shares of Sweet Poison subject to the Company fulfilling its obligations under the Distribution Agreement. The terms of the Option Agreement include:

Note 3 **Sweet Poison Spirits – (cont'd)**

- (i) The option price is US\$1,000,000 and will be payable as to US\$400,000 in cash and US\$600,000 in common shares of the Company, as to one-third (US\$133,333 in cash and US\$200,000 in Shares) upon exercise of the option, based on a share price of US\$0.20 per share; an additional one-third (US\$133,333 in cash and US\$200,000 in Shares) on or before 12 months following the exercise of the option, based on a share price calculated as the volume weighted average price per Share for the 10 trading days prior to issue (“VWAP”); and the remaining one-third on or before 18 months following the exercise of the option, based on the then current VWAP.
- (ii) The option is exercisable by the Company at any time after 24 months from the date of the Option Agreement and prior to 36 months.

The Company will pay Finder’s Fees of 10% on the Option Agreement transaction such Finder’s Fees payable in the form of shares at a deemed price of US\$0.20 per share.

During the year ending April 30, 2023, the Company advanced US\$10,000 to Sweet Poison. The revalued amount of \$13,177 remains payable as at July 31, 2023.

Sweet Poison Formula Amending Agreement

On May 15, 2023, the Company negotiated an agreement with Sweet Poison, amending both the Distribution Agreement and the Option Agreement to include the acquisition of Sweet Poison’s formula for one blend of Sweet Poison’s tequila and four blends of mezcal. The deemed value of US\$250,000, the cost of acquiring the formulas, will be deducted from the purchase price under the Option Agreement in the event the Company exercises the option.

In consideration for acquiring the formulas, the Company will issue to Sweet Poison a total of 2,500,000 shares at a deemed price of US\$0.10, with hold periods as follows:

- (i) 25% of the Shares will become free-trading four months following the date of issuance (the “Closing”);
- (ii) an additional 25% of the Shares will become free-trading 12 months following Closing;
- (iii) an additional 25% of the Shares will become free-trading 18 months following Closing;
- and
- (iv) the remaining 25% of the Shares will become free-trading 24 months following Closing.

A finder’s fee of 250,000 shares will be issued related to this transaction for the finder’s efforts in negotiating and facilitating the transaction, such shares to be restricted in the same manner as those shares to be issued to Sweet Poison.

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
Notes to the Condensed Interim Financial Statements
July 31, 2023
(Stated in Canadian Dollars) - Page 5

Note 4 **Distribution Rights**

	Total
Cost	
Balance April 30, 2023	\$ 112,500
Additions (note 3)	-
Balance, July 31, 2023	112,500
Accumulated Amortization	
Balance April 30, 2023	\$ (1,014)
Amortization for the year	(2,818)
Balance, July 31, 2023	(3,832)
Carrying amount	
Balance, April 30, 2023	\$ 111,486
Balance, July 31, 2023	\$ 108,668

Note 5 **Share Capital and Reserves**

a) Common share issuances

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time. To date, equity financings have provided the main source of financing. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Consolidation

On May 1, 2023, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share. All share, per share, and warrant amounts have been retroactively restated.

Enigma

The Company has engaged Enigma of the mining rigs to set-up, host and operate the cryptocurrency mining activities in exchange for 1,334,000 shares of the Company. The shares were valued at \$0.06, or \$80,040, the fair market value on June 29, 2022, the date of issue (see note 1).

Sweet Poison

The Company issued to the shareholders of Sweet Poison 2,500,000 common shares (the "Shares") valued at fair value on date of issue of \$60,000, in consideration of the rights and licences granted by Sweet Poison (see note 5). The Company paid Finder's Fees of 10% in the form of shares valued at fair value on date of issue of \$7,500.

Note 5 Share Capital and Reserves – (cont’d)

a) Common share issuances – (cont’d)

Debt Settlement

On May 1, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director in the aggregate amount of \$452,270 through the issuance of 4,522,700 shares at a deemed price \$0.10 when the fair value price of the Company’s shares were \$0.03 per share (the “Debt Settlement”). As a result, the Company recorded a gain on debt settlement of \$316,589 in the Company’s profit or loss for the period ended July 31, 2023.

The proposed Debt Settlement involves amounts owing to non-arm’s length parties, with \$415,520 owing to the Company’s CEO and \$36,750 owing to the CFO, as follows:

- i) The amount owing to the represents \$373,520 in funds advanced and \$42,000 in unpaid management fees. The advances of \$373,520 have been outstanding since November 2021 and had been recognized in the Company’s audited statements as an unsecured non-interest bearing loan; and
- ii) The amount owing to the CFO represents unpaid management fees.

b) Warrants

A summary of the Company’s outstanding share purchase warrants at July 31, 2023, April 30, 2023 and April 30, 2022 is as follows:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2022	6,398,750	\$ 0.22
Warrants expired	(151,250)	1.20
Balance, April 30, 2023, and July 31, 2023	6,247,500	\$ 0.20

A summary of the Company’s outstanding share purchase warrants is presented below:

Number of Warrants	Exercise Price	Expiry Date
3,622,500	\$0.20	December 9, 2023
2,625,000	\$0.20	February 2, 2024
6,247,500	\$0.20	

During the year ended April 30, 2023, 151,250 warrants exercisable at \$1.20 per share expired unexercised.

Note 5 **Share Capital and Reserves – (cont’d)**

c) Share-Based Payments

The Company’s Board has adopted a Stock Option Plan available to eligible directors, officers, employees, and consultants to acquire up to 10% of common shares then outstanding (the “Plan”). Under the Plan, options may be granted by the Board at an option price in accordance with regulatory policy for a maximum term of 10 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest at the discretion of the Company and in accordance with regulatory policy. No share purchase options have been granted in prior periods and none were granted during the period ended July 31, 2023.

Note 6 **Loss Per Share**

The denominator for the calculation of loss per share, being the weighted average number of common shares for the period ended July 31, 2023 and 2022 is as follows:

For the period ending July 31,	2023	2022
Issued and outstanding, beginning of the period	26,100,751	22,016,751
Weighted average shares issued during the period	4,473,000	219,287
Basic and diluted weighted average number of shares	30,573,751	22,236,038

Note 7 **Capital Management**

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Note 8 **Financial Instruments**

As at July 31, 2023, the Company’s financial instruments consist of cash, amounts and other receivable, advances payable, and trade and other payables. The fair value of the Company’s cash, amounts and other receivable, advances payable, and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation.

Note 8 **Financial Instruments** – (cont'd)

a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At July 31, 2023, US dollar amounts were converted at a rate of \$1.32 Canadian dollars to \$1 US dollar and Euros were converted at a rate of \$1.45 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange may increase or decrease loss for the period by approximately \$1,331. A 10% increase or decrease in the EUR\$ exchange may increase or decrease loss for the period by approximately \$2,903.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2023. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components, i) to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at July 31, 2023 is \$413 (April 30, 2023 – \$312). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at July 31, 2023, the Company was holding cash of \$413 (April 30, 2023 – \$312).

SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)
Notes to the Condensed Interim Financial Statements
July 31, 2023
(Stated in Canadian Dollars) - Page 9

Note 9 **Related Party Transactions**

The following is a summary of charges incurred by the Company with related parties for the period ended July 31, 2023 and 2022:

Period ended July 31,	2023	2022
Audit and accounting	\$ 7,325	\$ -
Legal and corporate services	17,330	-
Management fees	16,500	16,500
Office and administration	4,500	8,250
Total	\$ 45,655	\$ 24,750

During the three months ended July 31, 2023, the Company incurred fees and operational expenses totalling \$45,655 (July 31, 2022: \$24,750) from companies controlled by an officer and director of the Company and by another officer and director. As of July 31, 2023, the Company had amounts payable to officers and directors, and companies with directors in common of \$46,535 (April 30, 2023: \$88,709).

On May 1, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director of the Company, in the aggregate amount of \$452,270 through the issuance of up to 4,522,700 shares at a fair value price of \$0.03 per share (the "Debt Settlement") (see note 5).