Prime Drink Group Corp.
(formerly Dominion Water Reserves Corp.)
Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Unaudited)

Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited consolidated interim financial statements of Prime Drink Group Corp. (the "Company"), (formerly Dominion Water Reserves Corp.), are the responsibility of management and the Board of Directors.

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

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

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated interim financial statements of the Corporation have been prepared by management and are responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these consolidated interim financial statements.

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Interim Statements of Financial Positions
As at
(Unaudited – Prepared by Management)

	September 30, 2022	*December 31, 2021*
Assets		
Current		
Cash	**2,728,901**	197,078
Sales taxes receivable	**38,614**	41,731
Prepaid expenses and deposits	**25,000**	11,911
Total current assets	**2,792,515**	250,720
Non-current		
Property and equipment *(Note 5)*	**529,487**	382,206
Water rights *(Note 6)*	**5,657,862**	5,657,862
Right-of-Use of assets *(Note 7)*	**10,096**	29,176
Total non-current assets	**6,197,445**	6,069,244
Total assets	**8,989,960**	6,319,964
Liabilities		
Current		
Accounts payable and accrued liabilities	**55,375**	85,648
Current portion of lease liability *(Note 9)*	**9,620**	27,358
Total current liabilities	**64,995**	113,006
Non-current		
Lease liability *(Note 9)*	**-**	2,782
Total liabilities	**64,995**	115,788
Shareholders' equity		
Share capital *(Note 8)*	**13,965,497**	10,958,313
Reserves	**3,629,256**	3,451,003
Deficit	**(8,669,788)**	(8,205,140)
Total shareholders' equity	**8,924,965**	6,204,176
Total liabilities and shareholders' equity	**8,989,960**	6,319,964

Going concern (Note 2)

Approved on behalf of the Board of directors,

Signed Olivier Primeau
CEO and director

Signed Michael Pesner
Director

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

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Interim Statements of Loss and Comprehensive loss
For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Prepared by Management)

	Three months ended September 30, 2022	*Three months ended September 30, 2021*	***Nine months ended September 30, 2022***	*Nine months ended September 30, 2021*
General and Administrative expenses				
Share-based payments (*Note 8*)	**-**	-	**-**	646,109
Professional fees	**140,347**	8,947	**195,861**	160,146
Consulting fees *(Note 8)*	**78,694**	177,347	**136,861**	443,334
Insurance	**3,464**	5,540	**32,404**	10,876
Director's fees (*Note 11*)	**31,199**	-	**31,199**	-
Licences, dues and subscriptions	**13,264**	10,984	**29,912**	23,673
Depreciation of Right-of-Use asset	**6,360**	5,351	**19,080**	12,949
Travel	**3,856**	3,390	**12,861**	24,434
Office	**1,895**	2,190	**4,959**	6,890
Business taxes	**310**	493	**3,425**	3,284
Meals and entertainment	**814**	840	**2,123**	1,082
Bank charges	**262**	196	**601**	631
Depreciation of property and equipment	**173**	164	**519**	492
Operating loss	**(280,638)**	(215,442)	**(469,805)**	(1,333,900)
Other expenses				
Interest charges on lease liability *(Note 9)*	**(757)**	(913)	**(1,567)**	(1,762)
Net loss and comprehensive loss for the period	**(281,395)**	(216,335)	**(471,372)**	(1,335,662)
Loss per share				
Basic and diluted loss per share				
Net loss per common share, basic and diluted *(Note 10)*	**(0.0027)**	(0.0023)	**(0.0048)**	(0.0147)
Weighted average number of common shares outstanding	**104,494,208**	95,916,787	**98,801,156**	90,863,112

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

Consolidated Interim Statement of Changes in Equity

For the nine months ended September 30, 2022 and 2021
(Unaudited – Prepared by Management)

	Share capital	*Reserves*	*Deficit*	*Total equity*
Balance January 1, 2021	**9,933,954**	**1,771,378**	**(6,645,768)**	**5,059,564**
Net loss for the period	**-**	**-**	**(1,335,662)**	**(1,335,662)**
Issuance of shares – private placement *(Note 8 i)*	**169,576**	**1,005,424**	**-**	**1,175,000**
Cost of issuance of shares	**(5,000)**	**-**	**-**	**(5,000)**
Issuance of shares – exercise of options	**28,367**	**(13,367)**	**-**	**15,000**
Issuance of shares – asset acquisition	**810,600**	**-**	**-**	**810,600**
Issuance of shares against services	**4,375**	**-**	**-**	**4,375**
Issuance of shares – exercise of warrants	**87,358**	**(75,108)**	**-**	**12,250**
Stock options issuance	**-**	**646,109**	**-**	**646,109**
Balance September 30, 2021	**11,029,230**	**3,334,436**	**(7,981,430)**	**6,382,236**

Balance January 1, 2022	**10,958,313**	**3,451,003**	**(8,205,140)**	**6,204,176**
Net loss for the period	**-**	**-**	**(471,372)**	**(471,372)**
Cancellation of shares	**(66,213)**	**-**	**-**	**(66,213)**
Issuance of shares – private placement (*Note 8 viii*)	**3,134,371**	**200,629**	**-**	**3,335,000**
Cost of issuance of shares	**(125,376)**	**-**	**-**	**(125,376)**
Issuance of shares – exercise of warrants	**64,402**	**(15,652)**	**-**	**48,750**
Warrants expired	**-**	**(6,724)**	**6,724**	**-**
Balance September 30, 2022	**13,965,497**	**3,629,256**	**(8,669,788)**	**8,924,965**

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Interim Statement of Cash Flows
For the nine months ended September 30, 2022 and September 30, 2021
(Unaudited – Prepared by Management)

	Nine months ended September 30, 2022	*Nine months ended September 30, 2021*
Cash provided by (used for) the following activities		
Operating activities		
Net loss and comprehensive loss for the period	**(471,372)**	(1,335,662)
Share-based payments	**-**	646,109
Depreciation of property and equipment	**519**	492
Depreciation of Right-of-Use asset	**19,080**	12,949
Interest charges on lease liability	**1,567**	1,762
Consultancy expenses settled through shares	**-**	4,375
Cancellation of shares against services (note 8)	**(66,213)**	-
	(516,419)	(669,975)
Changes in working capital accounts		
Other receivable	**-**	1,980
Sales tax receivable	**3,117**	3,417
Prepaid expenses and deposits	**(13,089)**	46,667
Accounts payable and accrued liabilities	**(30,273)**	(112,038)
	(556,664)	(729,949)
Financing activities		
Proceeds from issuance of share capital	**3,335,000**	1,175,000
Payment of share issuance cost	**(125,376)**	(5,000)
Proceeds on exercise of stock options	**-**	15,000
Proceeds on exercise of warrants	**48,750**	12,250
Repayment of lease liability	**(22,087)**	(14,580)
	3,236,287	1,182,670
Investing activities		
Purchase of water rights	**-**	(175,000)
Purchase of property and equipment	**(147,800)**	-
	(147,800)	(175,000)
Increase in cash resources	**2,531,823**	277,721
Cash resources, beginning of the period	**197,078**	124,579
Cash resources, end of the period	**2,728,901**	402,300

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

1. General information

Prime Drink Group Corp. (the “Company” or “Prime”), formerly Dominion Water Reserves Corp. until its name changed on November 23, 2022, was incorporated under the Canada Business Corporations Act on October 26, 2015. The head office, principal address and records office of the Company are located at 609-1188 Avenue Union, Montreal, Quebec, H3B 05E.

Prime Drink Group Corp. is a company that acquires spring water permits to develop operations in the spring water market in Quebec and beyond. Prime Drink Group Corp. is the parent company of 6305768 Canada Inc., Centre Piscicole Duhamel Inc.,11973002 Canada Inc., Source Sainte-Cécile Inc., 3932095 Canada Inc. and Société Alto 2000 Inc (“the subsidiaries”). These subsidiaries are fully owned by the Company.

The Company is listed on the Canadian Securities Exchange (the “CSE”) since August 10, 2020 under the symbol “PRME”.

2. Going concern

At September 30, 2022, Prime Drink Group Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of $8,669,788 since inception and expects to incur further losses in the development of its business. Additionally, the Company incurred a net loss and comprehensive loss of $471,372 during the period of nine months ended September 30, 2022.

Although, the Company has been successful in attracting new investors and partners to fund the ongoing business, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on advantageous terms to the Company.

However, given the current cash position and forecast cash inflows and outflows in the next twelve months, management believes that sufficient cash is available to fund the Company’s operating expenses at least for the next 12 months. As a result, the continuity of the Company depends to a significant extent on the willingness of (new or existing) shareholders and partners to invest in Prime Drink Group Corp. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the Company as the Company believes it will realize its assets and discharge its liabilities in the normal course of business.

The Company continually monitors its activities and associated expenditure closely to ensure effective deployment of resources.

3. Statement of compliance and new accounting standards adopted during the year

These consolidated interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated interim financial statements, including IAS 34, Interim Financial Reporting. These consolidated interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Basis of preparation, as described in the Company's annual audited financial statements for the year ended December 31, 2021, except for the new accounting standards adopted during the year. The consolidated interim financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2021.

These consolidated interim financial statements have been approved by the board of directors on November XX, 2022.

New Accounting standards adopted during the year

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements. In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 - 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments are effective for annual periods beginning on or after January 1, 2022. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

4. Judgments, estimates and assumptions

The preparation of these consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the consolidated interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in note 4 to the Company's annual audited financial statements for the year ended December 31, 2021.

5. Property and equipment

	Land	*Building*	*Furniture and fixtures*	*Total*
Cost				
Balance at January 1, 2021	**229,100**	**10,300**	**1,689**	**241,089**
Additions	**139,600**	**2,700**	**-**	**142,300**
Balance at December 31, 2021	**368,700**	**13,000**	**1,689**	**383,389**
Additions	**147,800**	**-**	**-**	**147,800**
Balance at September 30, 2022	**516,500**	**13,000**	**1,689**	**531,189**
Depreciation				
Balance at January 1, 2021	**-**	**-**	**473**	**473**
Depreciation charge for the period	**-**	**466**	**244**	**710**
Balance at December 31, 2021	**-**	**466**	**717**	**1,183**
Depreciation charge for the period	**-**	**375**	**144**	**519**
Balance at September 30, 2022	**-**	**841**	**861**	**1,702**
Net book value				
At September 30, 2022	**516,500**	**12,159**	**828**	**529,487**
At December 31, 2021	**368,700**	**12,534**	**972**	**382,206**

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	*Rate*
Building	declining balance	4%
Furniture and fixtures	declining balance	20%

6. Business combination and water rights

On April 1, 2021, the Company acquired 100% of the shares of Source Sainte-Cécile Inc. and 3932095 Canada Inc. Pursuant to this acquisition the Company agreed to a fair value of consideration of $495,600, paid by the issuance of 4,720,000 shares at a fair value of $0.105 per share. The fair value of the shares was determined by the stock market price per share at the closing date of the transaction. This acquisition was with the CEO of the Company. The Company also incurred professional fees directly related to the acquisition of $72,185.

On April 8, 2021, the Company acquired 100% of the shares of Société Alto 2000 Inc. Pursuant to this acquisition the Company agreed to a fair value of consideration of $315,000, paid by the issuance of 3,000,000 shares at a fair value of $0.105 per share. The fair value of the shares was determined by the stock market price per share at the closing date of the transaction. The Company also incurred professional fees directly related to the acquisition of $7,348.

The Company reviewed the guidance provided under IFRS 3, *Business Combinations*, for definition of business and determined that the above business combinations did not have any processes or outputs and therefore did not meet the definition of a business. Consequently, these business combinations are accounted for as asset acquisitions.

For the acquisition of Source Sainte-Cécile Inc. and 3932095 Canada Inc, the entirety of the gross assets acquired pertains to land of $56,500, building of $2,700 and water rights of $508,585.

6. Business combination and water rights (continued)

For the acquisition of Société Alto 2000 Inc., the entirety of the gross assets acquired pertains to land of $83,100 and water rights of $239,248.

	Water rights
Cost	
Balance at January 1, 2021	**4,910,029**
Additions	**747,833**
Balance at December 31, 2021	**5,657,862**
Additions	**-**
Balance at September 30, 2022	**5,657,862**

	Water rights	***Water rights***
	September 30, 2022	**December 31, 2021**
Water source	**$**	**$**
Duhamel	**684,250**	**684,250**
Notre-Dame-du-Laus	**3,833,150**	**3,833,150**
St-Joseph de Coloraine	**392,629**	**392,629**
Sainte-Cécile-de-Witton	**262,560**	**262,560**
Saint-Élie-de-Caxton	**246,025**	**246,025**
Source Alto 2000 Inc.	**239,248**	**239,248**
	5,657,862	**5,657,862**

There were no impairment losses recognized on water rights during the nine-month periods ended September 30, 2022 and 2021.

7. Right-of-Use Assets

The Company recognized a right-of-use asset for its office premises with a corresponding lease liability (Note 9), following the signature of a new lease on August 1, 2021, which are initially measured at the present value of the future lease payments.

	$
Balance at December 31, 2020	**16,464**
Depreciation on original lease	**8,862**
Balance on July 31, 2021	**7,602**
Lease modification balance	**40,398**
Depreciation	**11,222**
Balance at December 31, 2021	**29,176**
Depreciation	**19,080**
Balance at September 30, 2022	**10,096**
Nine-month period ended September 30, 2022 depreciation expense	**19,080**
Nine-month period ended September 30, 2021 depreciation expense	**12,949**

8. Share capital

(a) *Authorized*
Unlimited number of common Class 'A' shares, voting, participating, without nominal or par value.

(b) *Capital stock*
The change in state share capital was as follows:

		Number of common shares	Stated share capital	Share issuance costs	Total
Balance, January 1, 2021		76,240,658	$10,110,015	$(176,061)	$9,933,954
				-	-
Issuance of shares – private placement	i	11,750,000	98,659	(5,000)	93,659
Issuance of shares – options exercised	ii	150,000	28,367	-	28,367
Issuance of shares – asset acquisition	iii	4,720,000	495,600	-	495,600
Issuance of shares – asset acquisition	iv	3,000,000	315,000	-	315,000
Issuance of shares against services	v	50,000	4,375	-	4,375
Issuance of shares – warrants exercised	vi	245,000	87,358	-	87,358
Balance, December 31, 2021		96,155,658	11,139,374	(181,061)	10,958,313
Cancellation of shares	vii	(575,762)	(66,213)	-	(66,213)
Issuance of shares – private placement	viii	41,687,500	3,134,371	(125,376)	3,008,995
Issuance of shares – warrants exercised	ix	325,000	64,402	-	64,402
Balance, September 30, 2022		137,592,396	$11,073,161	$(181,061)	$13,965,497

i. On February 26, 2021, the Company issued 11,750,000 units which comprise one common share and one warrant at an agreed price of $0.10 per units for gross proceeds of $1,175,000.

The fair value of the shares was estimated at the issuance date based on a residual method where at first the fair value of the Warrants was estimated based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.30%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	128.6%*

*Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

ii. On March 12, 2021, a shareholder exercised 150,000 options at an agreed price of $0.10 per share for gross proceeds of $15,000.

iii. On April 1, 2021, 4,720,000 common shares at a price of $0.105 per share were approved and issued by the Company for a total amount of $495,600 in consideration of the acquisition of 100% of the shares of Source Sainte-Cécile Inc. and 3932095 Canada Inc. (Note 6).

iv. On April 8, 2021, 3,000,000 common shares at a price of $0.105 per share were approved and issued by the Company for a total amount of $315,000 in consideration of the acquisition of 100% of the shares of Société Alto 2000 Inc. (Note 6).

8. Share capital (continued)

v. On July 1, 2021 and September 1, 2021, 25,000 common shares at a price of $0.09 per share and 25,000 common shares at a price of $0.085 were approved and issued by the Company for a total amount of $4,375 in consideration of consulting fees.

vi. On September 21, 2021 and September 23, 2021, a total of 245,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.05, for a gross amount of $12,250.

vii. On April 14, 2022, a total of 575,762 common shares were cancelled by the Company following a settlement with a service provider. These shares were initially issued on October 16, 2020 at a deemed price of $0.115. The Company recognized $(66,213) against the consulting fees.

viii. On July 5, 2022 and September 19, 2022, the Company issued a total of 33,350 units which comprise one thousand two hundred and fifty (1,250) common share and one hundred and twenty-five (125) warrant at an agreed price of $100 per units for gross proceeds of $3,335,000. These units were acquired by directors of the Company.

The fair value of the shares was estimated at the issuance date based on a residual method where at first the fair value of the Warrants was estimated based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.00%-3.77%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	125%

ix. On September 26, 2022, 325,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $48,750.

(c) *Stock Options and Warrants*

The Company maintains a Stock Option Plan (the “Plan”) for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares in any given 12-month period. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed. The following summarizes the stock option activities:

The following summarizes the stock option activities:

	Number of stock options	Weighted average exercise price per share
Balance, January 1, 2021	7,552,837	$0.17
Granted	7,771,066	$0.14
Exercised	(150,000)	$0.10
Cancelled	(5,852,837)	$0.17
Balance, December 31, 2021	9,321,066	$0.14
Balance, September 30, 2022	9,321,066	$0.14

8. Share capital (continued)

The following summarizes the stock option activities:

Number of options	Exercise Price	Expiry date
1,000,000	$ 0.19	August 14, 2025
500,000	$ 0.10	October 27, 2025
6,549,066	$0.14	March 5, 2023
1,272,000	$0.11	April 9, 2023
9,321,066		

i. On February 25, 2021, 5,852,837 options were cancelled following the departure of directors and officers. These options were fully vested.

ii. On March 4, 2021, 6,549,066 were granted stock options to certain officers, employees and consultants. Each option vests immediately and allows the holder to purchase one common share of the Company at an exercise price of $0.145 per common share for a period of 2 years. The fair value of the options of $602,168 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.29%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	128.9%*

*Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

iii. On March 12, 2021, 150,000 options were exercised at an agreed price of $0.10 per share for gross proceeds of $15,000.

iv. On April 9, 2021 1,272,000 were granted stock options to certain officers, employees and consultants. Each option vests immediately and allows the holder to purchase one common share of the Company at an exercise price of $0.11 per common share for a period of 2 years. The fair value of the options of $89,591 as estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.24%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	129.3%*

*Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

8. Share capital (continued)

Warrants

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The fair value of warrants issued and outstanding is reflected in retained earnings. Amounts for warrants that are subsequently exercised are transferred from retained earnings to capital stock.

The following table summarizes the warrant activities for the nine-month period ended September 30, 2022 and the twelve-month period ended December 31, 2021:

	Number of warrants	Weighted average exercise price ($)
Balance, January 1, 2021	7,132,857	$0.15
Issued pursuant to subscription receipts (i)	11,750,000	0.15
Exercised (ii)	(245,000)	0.05
Balance, December 31, 2021	18,637,857	0.15
Issued pursuant to subscription receipts (iii)	4,168,750	0.08
Exercised (iv)	(325,000)	0.15
Expired	(62,857)	0.35
Balance, September 30, 2022	22,418,750	0.14

The Company had the following warrants outstanding at September 30, 2022 :

Number of Warrants	Exercise Price	Expiry date
6,825,000	$ 0.15	October 16, 2023
11,425,000	$ 0.15	February 26, 2023
418,750	$ 0.08	July 5, 2024
3,750,000	$ 0.08	September 19, 2024
22,418,750		

i. In connection with the issuance of the units, Prime issued 11,750,000 Warrants with each Warrant entitling the holder to acquire one common share at an exercise price of $0.15 per common share until February 26, 2023. The fair value of the Warrants of $1,076,341 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.30%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	128.6%*

*Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

ii. On September 23 2021, 245,000 warrants were exercised at an agreed price of $0.05 per share for gross proceeds of $12,250.

8. Share capital (continued)

iii. In connection with the issuance of the units on July 5, 2022 and September 19, 2022, Prime issued 4,168,750 Warrants with each Warrant entitling the holder to acquire one common share at an exercise price of $0.08 per common share until July 5, 2024 and September 19, 2024. The fair value of the Warrants of $200,629 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.00%-3.77%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	125%

iv. On September 26, 2022, 325,000 warrants were exercised at an agreed price of $0.15 per share for gross proceeds of $48,750.

Shares in escrow

As part of the reverse takeover transaction, in accordance with the policies of the Canadian Securities Exchange, for Prime as an emerging issuer, certain officers and directors entered into an agreement with the Company and a trustee, whereby they agreed to deposit 18,476,389 common shares, issued pursuant to the transaction, in escrow. 1/10 of the escrow securities were released on August 10, 2020, the listing date, followed by a 6 monthly release schedule in equal tranches of 15% after the listing date. As at September 30, 2022, there were 8,019,956 shares in escrow (December 31, 2021 – 11,085,833).

9. Lease liability

In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents the Company's interest rate that would need to be provided if it issues a debenture given the present risk level of the Company. The present value of the future lease payments was calculated from November 30, 2020, the signing date of new agreement, for a term of more than twelve months. This lease liability was derecognized following the signature of a new agreement on August 1, 2021 for a term of more than twelve months. Changes to the Company's lease liabilities for the period ended September 30, 2022 and December 31, 2021 are as follows:

	$
Balance at December 31, 2020	**16,507**
Lease payment on original lease	**(9,775)**
Interest payment on original lease	**990**
Balance at July 31, 2021	**7,722**
Lease modification balance	**40,398**
Lease payment on amended lease	**12,075**
Interest payment on amended lease	**1,817**
Balance at December 31, 2021	**30,140**
Lease payment on amended lease	**22,087**
Interest payment on amended lease	**1,567**
Balance at September 30, 2022	**9,620**

9. Lease liability (continued)

Current lease liability	**9,620**
Non-current lease liability	**-**

10. Loss per share

(a) Basic loss per share
Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period.

(b) Diluted loss per share
Diluted loss per share is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares include the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

For the period three-and-nine months September 30, 2022 and 2021, potential dilutive common shares from share options and warrants have not been included in the loss per share calculation as they would result in a reduction of the loss per share.

11. Related party transactions

During the current year, the Company entered into transactions with shareholders and key management other than balances already disclosed in notes above. These transactions are in the normal course of operations. The balances are subject to normal terms of trade.

Transactions with shareholders and key management

	9 months ended	
	September 30, 2022	*September 30, 2021*
Consulting fees paid to President and CEO	**90,000**	166,000
Consulting fees paid to the general manager	**63,000**	90,000
Director fees paid to three directors	**30,000**	-

On April 1, 2021, the Company acquired 100% of the shares of Source Sainte-Cécile Inc. and 3932095 Canada Inc. Pursuant to this acquisition the Company agreed to a fair value of consideration of $495,600, paid by the issuance of 4,720,000 shares at a fair value of $0.105 per share. The fair value of the shares was determined by the stock market price per share at the closing date of the transaction. This acquisition was acquired from the CEO of the Company.

12. Commitment

On November 20, 2020, the company entered into a 25-year water sales contract with Acquanor with an obligation to supply water at a price of $0.005 per litre of water for the first five years, $0.010 from year 6 to 10, $0.015 from year 11 to 15 and $0.02 from year 16 to 25, not exceeding 71 million litres for each year with no significant consequences in the event of breach.

Lease

The Company has entered into a lease for its office expiring on January 31, 2023. The future minimum lease payments related to this lease are $8,346 for 2022 and $2,782 for 2023.

13. Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value of financial instruments

The carrying values of cash, accounts payable and accrued liabilities, and lease liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. The carrying value of long-term lease liability is considered to be a reasonable approximation of fair value as it is discounted at an approximate fair value rate.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company’s future net cash flows for the possibility of negative net cash flow.

The Company attempts to manage the liquidity risk resulting from its accounts payable by diversifying its sources of funding and by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. However, given the current cash position and foreseen cash inflows and outflows in the next 12 months, management believes that sufficient cash is available to fund the Company’s operating expenses at least for the next months.

(c) Credit Risk

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash with banks.

The Company reduces credit risk by dealing with creditworthy financial institutions and ensuring the creditworthiness of the related parties.

(d) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14. Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital and deficit. The Company’s objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company is not subject to externally imposed capital requirements.

15. Events after the reporting period

On October 19, 2022, the Company announced its intention to change its name to "Prime Drink Group Corp." on the Canadian Securities Exchange and on other corporate materials, to reflect the Company's intent of diversifying its investment portfolio beyond the water industry. Following receipt of all regulatory approvals, the common shares of the Company started trading under its new name and new symbol "PRME" on November 23, 2022.

On October 28, 2022, the Company created a new subsidiary, 14488385 Canada Inc., and had its name changed to Dominion Water Reserves Corp. on November 23, 2022.