Prime Drink Group Corp.
(formerly Dominion Water Reserves Corp.)
Consolidated Financial Statements
For the years ended December 31, 2023 and December 31, 2022

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For the years ended December 31, 2023 and December 31, 2022

Independent Auditor's Report

To the Shareholders of Prime Drink Group Corp.:

Opinion

We have audited the consolidated financial statements of Prime Drink Group Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 audits of the consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Water Rights Impairment Assessment

Key Audit Matter Description

As described in Note 7 to the consolidated financial statements, the Company performed impairment testing of its water rights which have a carrying value of $5,657,862 as at December 31, 2023. The impairment testing was performed by comparing the carrying value of the water rights to the estimated recoverable amount of the cash-generating unit these assets were allocated to. As a result of the impairment testing, the Company did not recognize any impairment loss related to water rights. We identified the estimation of water rights impairment as a key audit matter due to the assessment of estimated fair value of the cash-generating unit requiring significant assumptions in the cash flow forecasts which include production capacity, sales price, price growth, terminal capacity and discount rates.

Audit Response

We responded to this matter by performing procedures over the impairment of water rights. Our audit work in relation to this included, but was not restricted to, the following:

- We utilized our internal valuation experts to evaluate the integrity of the impairment model used for mechanical and arithmetical accuracy and test the fair values using management's cash flow estimates and discount rates and comparing the results to the fair value amounts used by the Company;
- With respect to projected cash flows from operations, we compared management's assumptions with historical results. Where historical results were not available, we reviewed the assumptions for reasonableness with external benchmarks. When benchmarks were not available, we performed sensitivity analysis;
- We assessed the discount rates applied, including comparison of underlying components in management's calculations to external benchmarks and publicly available data for comparable entities, as applicable; and
- We assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

MNP LLP

Ottawa, Ontario | Chartered Professional Accountants

April 29, 2024 | Licensed Public Accountants

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Statements of Financial Positions
As at December 31
(in Canadian dollars)

		2023		*2022*
Assets				
Current				
Cash	**$**	**2,678,137**	$	2,420,857
Sales taxes receivable		**6,531**		8,335
Prepaid expenses and deposits		**13,143**		7,346
Total current assets		**2,697,811**		2,436,538
Non-current				
Property and equipment *(Note 6)*		**528,678**		529,314
Water rights *(Note 7)*		**5,657,862**		5,657,862
Right-of-Use of assets *(Note 8)*		**-**		3,736
Total non-current assets		**6,186,540**		6,190,912
Total assets	**$**	**8,884,351**	$	8,627,450
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**109,516**	$	107,277
Current portion of lease liability *(Note 10)*		**-**		2,780
Total liabilities	**$**	**109,516**	$	110,057
Shareholders' equity				
Share capital *(Note 9)*	**$**	**15,411,268**	$	13,914,371
Reserves		**3,381,242**		3,615,906
Deficit		**(10,017,675)**		(9,012,884)
Total shareholders’ equity	**$**	**8,774,835**	$	8,517,393
Total liabilities and shareholders’ equity	**$**	**8,884,351**	$	8,627,450

Going concern *(Note 2)*
Events after the reporting period *(Note 17)*

On behalf of the Board of Directors,

“Alexandre Côté”	*“Michael Pesner”*
(signed Alexandre Côté)	(signed Michael Pesner)
CEO and Director	Director

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

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2023 and December 31, 2022
(in Canadian dollars)

		2023		2022
Operating expenses				
Share-based payments (*Note 9*)	**$**	**340,629**	$	-
Consulting fees *(Note 9 and 13)*		**251,249**		314,475
Professional fees		**247,475**		321,195
Directors' and audit committee members' fees (*Note 13*)		**74,258**		31,199
Licences, dues and subscriptions		**47,252**		35,673
Insurance		**21,991**		32,405
Travel		**13,032**		15,167
Property expenses		**9,678**		15,328
Office		**8,163**		4,737
Bank charges		**4,505**		1,636
Depreciation of right-of-use asset		**3,736**		25,440
Meals and entertainment		**2,698**		2,496
Business taxes		**2,044**		4,801
Depreciation of property and equipment		**636**		692
Total operating expenses	**$**	**1,027,346**	$	805,244
Operating loss	**$**	**(1,027,346)**	$	(805,244)
Other income				
Interest charge on lease liability		**-**		(2,500)
Interest revenue		**(22,555)**		-
Net loss and comprehensive loss for the year	**$**	**(1,004,791)**	$	(807,744)
Loss per share				
Basic and diluted loss per share				
Net loss per common share, basic and diluted *(Note 11)*	**$**	**(0.0070)**	$	(0.0074)
Weighted average number of common shares outstanding		**143,066,259**		108,588,536

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

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)
Consolidated Statements of Changes in Equity
For the year ended December 31, 2023 and December 31, 2022
(in Canadian dollars)

		Share capital		*Reserves*		*Deficit*		*Total equity*
Balance January 1, 2022	$	10,958,313	$	3,451,003	$	(8,205,140)	$	6,204,176
Net loss for the year		-		-		(807,744)		(807,744)
Cancellation of shares		(66,213)		-		-		(66,213)
Issuance of shares – private placement		3,134,371		200,629		-		3,335,000
Cost of issuance of shares		(206,326)		-		-		(206,326)
Issuance of shares – exercise of warrants		94,226		(35,726)		-		58,500
Balance December 31, 2022	$	13,914,371	$	3,615,906	$	(9,012,884)	$	8,517,393
Net loss for the year		-		-		(1,004,791)		(1,004,791)
Issuance of shares – exercise of warrants		674,557		(255,757)		-		418,800
Issuance of shares – exercise of options		822,340		(319,536)		-		502,804
Share-based payments		-		340,629		-		340,629
Balance December 31, 2023	$	15,411,268	$	3,381,242	$	(10,017,675)	$	8,774,835

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

Prime Drink Group Corp. (formerly Dominion Water Reserves Corp.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and December 31, 2022
(in Canadian dollars)

		2023		*2022*
Cash provided by (used for) the following activities				
Operating activities				
Net loss	**$**	**(1,004,791)**	$	(807,744)
Share-based payments		**340,629**		-
Depreciation of property and equipment		**636**		692
Depreciation of right-of-use asset		**3,736**		25,440
Interest charges on lease liability		**-**		2,500
Cancellation of shares against services *(Note 9)*		**-**		(66,213)
		(659,790)		(845,325)
Changes in working capital account				
Sales tax receivables	**$**	**1,804**	$	33,396
Prepaid expenses and deposits		**(5,797)**		4,565
Accounts payables and accrued liabilities		**2,239**		21,629
		(661,544)		(785,735)
Financing activities				
Proceeds from issuance of share capital	**$**	**-**	$	3,335,000
Payment of share issuance cost		**-**		(206,326)
Proceeds on exercise of warrants		**418,800**		58,500
Proceeds on exercise of stock options		**502,804**		-
Repayment of lease liability		**(2,780)**		(29,860)
		918,824		3,157,314
Investing activities				
Purchase of property and equipment	**$**	**-**	$	(147,800)
		-		(147,800)
Increase in cash resources		**257,280**		2,223,779
Cash resources, beginning of the year		**2,420,857**		197,078
Cash resources, end of the year	**$**	**2,678,137**	$	2,420,857

The accompanying notes are an integral part of these consolidated 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 elsewhere. Prime Drink Group Corp. is the parent company of Dominion Water Reserves Corp., 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, and is trading under the symbol “PRME”.

2. Going concern

As at December 31, 2023, Prime Drink Group Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of $10,017,675 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 $1,004,791 during the year.

However, given the current cash position and foreseen cash inflows and outflows in the next twelve months, management believes that sufficient cash will be available to fund the Company’s operating expenses and pursue development of its business at least for the next 12 months. While management has been successful in securing financing in the past, there can be no assurance that it will continue to do so in the future or the sources of funds or initiatives will be available to the Company.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these consolidated 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 upcoming changes to accounting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

Future changes in accounting policies

The Company monitors the potential changes proposed by the International Accounting Standards Board (“IASB”) and analyzes the effect that changes in the standards may have on the Company’s operations. Standards issued but not yet effective up to the date of issuance of the consolidated financial statements for the year ended December 31, 2023 are described below.

3. Statement of compliance and upcoming changes to accounting standards (continued)

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by the likelihood that an entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify the definition of "settlement" of a liability. In October 2022, revised amendments in respect of non-current liabilities with covenants were issued. Both amendments are effective on January 1, 2024 and should be applied retrospectively. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

Accounting policy adopted during the year

In February 2021, the IASB issued amendments to IAS 8, Accounting Polices, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company's financial disclosure is currently not materially affected by the application.

4. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on an historical cost basis. The material accounting policies are set out in Note 5.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' functional currency.

Material accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to the accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgments and assumptions applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

4. Basis of preparation *(Continued from previous page)*

Impairment of Water Rights
The Company acquired various water rights over the year. Management has determined that the water rights have an indefinite life. Consequently, they are not amortized but rather tested for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired, by comparing the fair value of the assets to their carrying amounts.

The recoverable amount of the intangible assets is calculated using discounted cash flow models that incorporate a wide range of assumptions including estimated volume of water expected to be derived from each water right, expected capital expenditures, production capacity, terminal production capacity, sales pricing, price escalation, discount rates, timing of sales and costs. These models are sensitive to changes in any of the input variables which are subject to uncertainties.

Share-Based Compensation
The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-based grants. The Black-Scholes model requires management to make certain assumptions and estimates such as the expected life of the instrument, volatility of the Company's share price, risk-free rates, future dividend yields and estimated forfeitures at the initial grant date. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

Warrants
Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Recovery of deferred tax assets
The measurement of taxes payable and deferred tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

Classification of financial instruments
All financial assets are classified in one of the following categories: fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term.

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial asset at amortized cost include cash. Financial liabilities at amortized cost include accounts payable and accrued liabilities and lease liability. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

5. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries as further described in Note 1.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed or has rights to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All subsidiaries were inactive in 2023 and 2022.

Cash

Cash in the statements of financial position comprise cash at banks and short-term bank deposits with original maturity of three months or less that are subject to insignificant risk of changes in value. There were no cash equivalents as at December 31, 2023 and 2022.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the diminishing balance method over their estimated useful lives. Assets are depreciated from the date of acquisition.

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%

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Water rights

Water rights are intangible assets and include expenditures that are directly attributable to the acquisition of the assets. Water rights consist of various water interests acquired in conjunction with the acquisition of real estate. When the Company purchases water rights that are attached to real estate, an allocation of the total purchase price, including any direct costs of the acquisition, is made at the date of acquisition based on the estimated relative fair values of the water rights and the real estate.

5. Summary of material accounting policies *(Continued from previous page)*

Impairment of long-lived assets

At the end of each year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payment transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the services rendered. In situations where the fair value of the goods or services received by the Company as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options issued pursuant to its Stock Option Plan described in note 9. This pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which can affect the fair value of the stock options. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of loss per share.

Warrants

The Company uses the Black-Scholes Model to calculate the value of warrants issued as part of the Company's public and/or private placements. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Proceeds from unit placements, net of issuance costs, are allocated between common shares and warrants issued using the residual method. The fair value of the common share is determined by the residual method, with warrants being valued first and the remaining residual value of the unit being assigned to the common share.

5. Summary of material accounting policies (Continued from previous page)

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

5. Summary of material accounting policies *(Continued from previous page)*

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Leases

The Company has elected to not recognize right-of-use assets and lease liabilities as per IFRS 16 for short-term rent leases. Short-term leases are leases with a term of twelve months or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Company recognizes right-of-use assets and lease liabilities for long-term rent leases. Long-term leases are leases with a term of twelve months or more. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Income taxes

Taxation on the profit or loss for the year comprises current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current Taxes

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years.

Deferred Taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Equity

Share capital represents the amount received on the issue of shares less issuance costs.

Reserves

Reserves includes charges related to stock options until such are exercised and transferred to share capital. On expiry charges remain in the reserves account. Reserves includes fair values allocated to the warrants issued. When warrants are exercised, the related cost and fair value are transferred to share capital. On expiry fair values allocated remain in the reserves account.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

(in Canadian dollars)

6. Property and equipment

	Land	*Building*	*Furniture and fixtures*	*Total*
Cost				
Balance at January 1, 2022	**$ 368,700**	**$ 13,000**	**$ 1,689**	**$ 383,389**
Additions	**147,800**	**-**	**-**	**147,800**
Balance at December 31, 2022	**516,500**	**13,000**	**1,689**	**531,189**
Additions	**-**	**-**	**-**	**-**
Balance at December 31, 2023	**516,500**	**13,000**	**1,689**	**531,189**
Depreciation				
Balance at January 1, 2022	**-**	**466**	**717**	**1,183**
Depreciation charge for the year	**-**	**500**	**192**	**692**
Balance at December 31, 2022	**-**	**966**	**909**	**1,875**
Depreciation charge for the year	**-**	**480**	**156**	**636**
Balance at December 31, 2023	**-**	**1,446**	**1,065**	**2,511**
Net book value				
At December 31, 2022	**$ 516,500**	**$ 12,034**	**$ 780**	**$ 529,314**
At December 31, 2023	**$ 516,500**	**$ 11,554**	**$ 624**	**$ 528,678**

(in Canadian dollars)

7. Water rights

	Water rights
Cost	**$**
Balance at January 1, 2022	**5,657,862**
Additions	**-**
Balance at December 31, 2022	**5,657,862**
Additions	**-**
Balance at December 31, 2023	**5,657,862**

	Water rights	***Water rights***
	2023	**2022**
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
Balance at December 31	**5,657,862**	**5,657,862**

(in Canadian dollars)

7. Water rights *(Continued from previous page)*

Impairment testing

For the purpose of impairment testing, each water right represents the lowest level within the Company at which the water right is monitored for internal management purposes, which is not higher than the Company's operating segment. Impairment testing was performed on December 31, 2023. The recoverable amounts were based on their fair value less cost of disposal and were determined to be higher than their carrying amounts.

Fair value was determined by discounting the future cash flows generated from the continuing use of each water right. The calculation of the fair value was based on the following key assumptions which are all level 3 of fair value hierarchy:

Cash flows were projected based on a combination of management experience as well a review of industry benchmarks, whenever relevant information was available, taking into consideration that the Company has yet to start generating revenue. The Company establishes a 11-year business plan from the date the Company expects to start generating revenue and this plan was approved by management. Cash flows were established for each water right with the following assumptions estimated:

Year 1 Production capacity	0%-20%
Sales price	$0.005 - $0.010 per litre
Sales growth (after initial ramp-up)	0% to 20% per year
Terminal production capacity	8% - 87% of total capacity

An after-tax discount rates between 17.72% and 19.72% were applied in determining the recoverable amount of the cash generating units. The discount rates were estimated based on past experience, the risk-free rate and estimated cost of debt in addition to estimates of the specific cash generating unit's equity risk premium, small capitalization premium, projection and other specific risks, beta, tax rate and industry targeted debt to equity ratios.

There were no impairment losses recognized on water rights during the years ended December 31, 2023 and 2022.

Sensitivity analysis

Decrease in the estimated future production or sales price by 10%, with other assumptions remaining constant, would not result in the recognition of impairment losses on the water rights.

For water rights where production is estimated to begin in 2025, if the start of the production was delayed by one year and set to begin in 2026 in the forecasted cash flows, two of the water rights would result in break-even cash flows.

8. Right-of-Use Assets

The Company recognized a new right-of-use asset for its office premises with a corresponding lease liability (Note 10), following the signature of a new lease on August 1, 2021, which are initially measured at the present value of the future lease payments.

Right-of-use

	$
Balance at December 31, 2021	29,176
Depreciation	25,440
Balance at December 31, 2022	3,736
Depreciation	3,736
Balance at December 31, 2023	**-**

(in Canadian dollars)

9. Shareholders' equity

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, 2022		96,155,658	$ 11,139,374	$ (181,061)	$ 10,958,313
Cancellation of shares	i	(575,762)	(66,213)	-	(66,213)
Issuance of shares – private placement	ii	41,687,500	3,134,371	(206,326)	2,928,045
Issuance of shares – warrants exercised	iii	390,000	94,226	-	94,226
Balance, December 31, 2022		137,657,396	$ 14,301,758	$ (387,387)	$ 13,914,371
Issuance of shares – warrants exercised	v	2,792,000	674,557	-	674,557
Issuance of shares – options exercised	iv, vi, vii, viii	3,728,066	822,340	-	822,340
Balance, December 31, 2023		144,177,462	$ 15,798,655	$ (387,387)	$ 15,411,268

i. 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 a credit $66,213 against the consulting fees.

ii. 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 (totaling 41,687,500 common shares) and one hundred and twenty-five (125) warrants (totaling 4,168,750 warrants) at an agreed price of $100 per unit 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%

iii. On September 26, 2022 and November 7, 2022, 390,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $58,500.

iv. On February 24, 2023, 386,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $42,460.

v. On February 26, 2023, 2,792,000 common shares were issued by the Company upon warrants exercised at an exercise price of $0.15, for a gross amount of $418,800.

vi. On March 3, 2023, 2,649,066 common shares were issued by the Company upon options exercised at an exercise price of $0.145, for a gross amount of $384,114.

vii. On April 6, 2023, 500,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $55,000.

(in Canadian dollars)

9. Shareholders' equity (Continued from previous page)

viii. On April 11, 2023, 193,000 common shares were issued by the Company upon options exercised at an exercise price of $0.11, for a gross amount of $21,230.

(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, 2022	9,321,066	$0.14
Cancelled (i)	(150,000)	$0.10
Balance, December 31, 2022	9,171,066	$0.14
Exercised (ii, iii, v, vi)	(3,728,066)	$0.14
Granted (iv, vii)	4,000,000	$0.16
Expired	(3,943,000)	$0.14
Balance, December 31, 2023	5,500,000	$0.16

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
3,500,000	$0.165	April 5, 2026
500,000	$0.13	April 5, 2026
5,500,000		
1,500,000	*Exercisable as at December 31, 2023*	

During the year ended December 31, 2023 and 2022, the Company's activities are as follows:

2022

i. On February 9, 2022, 150,000 options were cancelled following the departure of a director. These options were fully vested.

2023

(in Canadian dollars)

9. Shareholders' equity (Continued from previous page)

ii. On February 24, 2023, 386,000 options were exercised at an exercise price of $0.11, for a gross amount of $42,460.

iii. On March 3, 2023, 2,649,066 options were exercised at an exercise price of $0.145, for a gross amount of $384,115.

iv. On April 5, 2023, 3,500,000 stock options were granted to certain officers, employees, and consultants. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.165 per common share for a period of 3 years. The fair value of the options of $423,468 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	3.52%
Forfeiture rate	0%
Expected life	3 years
Expected volatility	125.0%

The total expense recognized in the statement of loss and comprehensive loss for the year ended December 31, 2023 amounts to $313,250.

v. On April 6, 2023, 500,000 options were exercised at an exercise price of $0.11, for a gross amount of $55,000.

vi. On April 11, 2023, 193,000 options were exercised at an exercise price of $0.11, for a gross amount of $21,230.

vii. On August 15, 2023, 500,000 stock options were granted to a director. Each option vest and is exercisable one year from grant date and allows the holder to purchase one common share of the Company at an exercise price of $0.13 per common share for a period of 2.7 years. The fair value of the options of $43,664 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	4.81%
Forfeiture rate	0%
Expected life	2.7 years
Expected volatility	125.0%

The total expense recognized in the statement of loss and comprehensive loss for the year ended December 31, 2023 amounts to $27,379.

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 year ended December 31, 2023 and 2022:

	Number of warrants	Weighted average exercise price ($)
Balance, January 1, 2022	18,637,857	$0.15
Issued pursuant to subscription receipts (i, ii)	4,168,750	0.08
Exercised (iii)	(390,000)	0.15
Expired	(62,857)	0.35
Balance, December 31, 2022	22,353,750	0.14
Exercised (iv)	(2,792,000)	0.15
Expired	(15,393,000)	0.15
Balance, December 31, 2023	4,168,750	0.08

(in Canadian dollars)

9. Shareholders' equity *(Continued from previous page)*

The Company had the following warrants outstanding as at December 31, 2022:

Number of Warrants	Exercise Price	Expiry date
418,750	$ 0.08	July 5, 2024
3,750,000	$ 0.08	September 19, 2024
4,168,750		
4,168,750	*Exercisable as at December 31, 2023*	

During the year ended December 31, 2023 and 2022, the Company's activities are as follows:

2022

i. In connection with the issuance of the July units, the Company issued 418,750 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. The fair value of the Warrants of $13,337 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%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	125.0%

ii. In connection with the issuance of the September units, the Company issued 3,750,000 warrants with each warrant entitling the holder to acquire one common share at an exercise price of $0.08 per common share until September 19, 2024. The fair value of the Warrants of $187,492 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	3.77%
Forfeiture rate	0%
Expected life	2 years
Expected volatility	125.0%

iii. On September 26, 2022 and November 7, 2022, 390,000 warrants were exercised at an agreed price of $0.15 per share for gross proceeds of $58,500.

2023

iv. On February 26, 2023, 2,792,000 warrants were exercised at an exercise price of $0.15, for a gross amount of $418,800.

Shares in escrow

As part of the 2020 business combination with Tucker Acquisitions Inc., in accordance with the policies of the Canadian Securities Exchange, for the Company 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 Transaction, in escrow. 1/10 of the escrow securities were to be 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 December 31, 2023, there were nil shares in escrow (December 31, 2022 – 8,680,316).

(in Canadian dollars)

10. 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 years ended December 31, 2023 and December 31, 2022 are as follows:

	$
Balance at December 31, 2021	**30,140**
Lease payment on amended lease	**29,860**
Interest payment on amended lease	**2,500**
Balance at December 31, 2022	**2,780**
Lease payment on amended lease	**2,780**
Interest payment on amended lease	**-**
Balance at December 31, 2023	**-**

11. 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 year.

(b) Diluted loss per share
Diluted loss per share is computed by dividing net loss for a year 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.

The Company reported net losses for the year ended December 31, 2023 and 2022 and has accordingly presented basic and diluted loss per share in the consolidated statements of loss and comprehensive loss.

12. Income tax

(a) Reconciliation of income tax recovery:

	2023	2022
Loss before income taxes	**$ (1,004,791)**	$ (807,744)
Expected income tax recovery	**(266,270)**	(214,052)
Decrease in income taxes resulting from:		
Non-deductible expenses	**98,313**	8,315
Tax benefits not recognized	**167,957**	205,737
	-	-

The statutory tax rate for 2023 and 2022 was 26.50%.

(in Canadian dollars)

12. Income tax *(Continued from previous page)*

Composition of deferred income taxes in the income statement		
Inception and reversal of tax benefits	**$ (167,957)**	$ (205,737)
Temporary difference not recorded	**167,957**	205,737
	-	-

(b) Deductible temporary differences not recognized

As at December 31, 2023 the Company has the following deductible temporary differences for which no deferred tax has been recognized:

	Year Ended 31-Dec-23		Year Ended 31-Dec-22	
	Federal	**Québec**	**Federal**	**Québec**
Issuance costs and other	223,450	223,450	329,705	329,705
Capitalized financing fees	22,547	22,547	22,547	22,547
Non-capital losses	4,818,662	4,797,527	4,097,607	4,079,069
Total unrecognized deductible temporary differences	5,064,660	5,043,524	4,449,859	4,431,321

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2023, deferred tax assets totalling $1,339,486 ($1,176,862 in 2022) have not been recognized.

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

	Federal Amount	**Quebec Amount**
2034	30,278	29,314
2035	321,161	314,512
2036	112,216	108,957
2037	103,878	100,417
2038	540,635	538,334
2039	370,705	370,197
2040	802,901	802,275
2041	930,856	930,086
2042	865,795	864,547
2043	740,237	738,888
	4,818,662	**4,797,527**

(in Canadian dollars)

13. 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

	2023	*2022*
Consulting fees paid to a director (former President and CEO)	**$ 65,000**	$ 120,000
Consulting fees paid to the CEO	**50,832**	-
Consulting fees paid to the CFO	**84,000**	84,000
Professional fees paid to two directors	**15,000**	
Director's and audit committee members' fees	**70,000**	31,199
Share-based compensation to directors and officers	**340,629**	-

14. Commitment

On November 20, 2020, the company entered into a 25-year water sales contract with Acquanor Inc. 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.

15. 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 the 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 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 12 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 and advances to related parties.

There is no provision for expected credit losses given that there are no advances to related parties outstanding as at December 31, 2023.

The Company reduces credit risk by dealing with creditworthy financial institutions.

15. Financial instruments and risk management *(Continued from previous page)*

(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). The Company's cash are included in Level 1.

16. 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.

17. Events after the reporting period

On January 21, 2024, the Company (“Prime”) has entered into a binding letter of intent dated January 21, 2024 (the “Letter of Intent”) with 9296-0186 Québec Inc. (“9296”) whereby the Company will acquire all of the issued and outstanding common shares of Triani Canada Inc. (“Triani”, and together with 9296, the “Vendor”) from 9296 by way of business combination (the “Proposed Transaction”).

The Letter of Intent contemplates that Prime and 9296 will negotiate and enter into a definitive agreement (the “Definitive Agreement”), whereby the parties will complete the Proposed Transaction by way of share exchange, merger, amalgamation, arrangement, takeover bid, share purchase or other similar form of transaction or a series of transactions that have similar effect, whereby Prime will acquire from 9296 all of the issued and outstanding common shares of Triani (the “Triani Shares”) in exchange for the Consideration (as defined below), which will result in Triani (as the same exists at the relevant time), or such other entity that may be created for the purposes of completing the Proposed Transaction, becoming a wholly-owned subsidiary of Prime.

Pursuant to the Proposed Transaction, Prime will acquire the Triani Shares in exchange for (i) $2,000,000 in cash; and (ii) that number of common shares in the capital of Prime (“Prime Shares”) having an aggregate value of $17,500,000, with each Prime Share to be issued at a deemed price to be determined by the parties, subject to adjustment (the “Consideration”). In addition to the Consideration, Prime intends pay an additional amount up to $18,500,000 (the “Bonus Consideration”) to 9296 payable in Prime Shares if Triani reaches certain EBITDA targets in the financial years ended 2024, 2025 and 2026. The Prime Shares payable pursuant to the Bonus Consideration shall be issued at a deemed price equal to the 10-day volume-weighted average price of the Prime Shares as traded on the CSE, or such other stock exchange as the Prime Shares are then listed.

Prior to Closing, the Company intends to consolidate its outstanding Prime Shares on a 5:1 basis (the “Consolidation”) resulting in 1 Prime Share outstanding following the Consolidation for every 5 Prime Shares outstanding prior to the Consolidation. Following the Consolidation, the Company expects it will have approximately 28,835,294 Prime Shares issued and outstanding on a non-diluted basis (and 3 excluding the Prime Shares issued as the Consideration and pursuant to a Concurrent Financing.