Unaudited Interim Condensed Consolidated Financial Statements of

ELEMENT NUTRITIONAL SCIENCES INC.

For the three and nine months ended September 30, 2023 and 2022
(Unaudited)
(expressed in Canadian dollars, unless indicated otherwise)

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ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Balance Sheet
As at September 30, 2023 and 2022
(expressed in Canadian dollars, unless indicated otherwise)

	Notes	September 30, 2023 (unaudited)	December 31, 2022
Assets			
Current assets			
Cash		$ 4,419	$ 3,445
Amounts receivable	3	128,278	897,326
Prepaid expenses and advances		766,795	209,253
Inventories	4	1,495,690	1,448,566
		2,395,182	2,558,590
Non-current assets			
Property and equipment	5	41,660	62,337
Right-of-use assets	6	27,056	30,791
Total assets		**2,463,898**	**2,651,718**
Liabilities and shareholders' (deficiency) equity			
Current liabilities			
Bank demand loan	8	500,000	500,000
Accounts payable and accrued liabilities	13	6,778,310	5,851,997
Notes payable	9	454,867	619,546
Current portion of government loans	14	318,001	318,512
Current portion of lease liabilities	6	5,252	5,015
Working capital loan from debenture subscription	10	158,823	-
Due to related party	13	-	200,000
		8,215,253	7,495,070
Non-current liabilities			
Lease liabilities	6	20,108	25,776
10% Convertible debenture	10	1,906,500	-
Total liabilities		10,141,861	7,520,846
Shareholders' (deficiency) equity			
Share capital	10	24,599,220	23,975,583
Options and warrants	10, 11	3,011,462	4,642,187
Accumulated other comprehensive loss		(376,845)	(383,618)
Deficit		(34,911,800)	(33,103,280)
Total shareholders' (deficiency) equity		(7,677,963)	(4,869,128)
Total liabilities and shareholders' (deficiency) equity		**$ 2,463,898**	**$ 2,651,718**

Going concern (note 7)
Commitments and contingencies (note 16)
Subsequent events (note 17)

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

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2023 and 2022
(expressed in Canadian dollars, unless indicated otherwise)

	Note	For the 3 months ended, September 30, 2023	For the 3 months ended, September 30, 2022	For the 9 months ended, September 30, 2023	For the 9 months ended, September 30, 2022
Revenue from sale of goods	12	$208,991	$569,490	$395,694	$4,132,016
Cost of sales		908,136	590,493	985,102	3,180,495
		(699,145)	(21,033)	(589,408)	951,521
Operating expenses					
Salaries and wages		389,224	661,580	1,115,212	2,131,349
Advertising and marketing		210,025	1,598,670	315,195	2,043,451
Professional fees	10	(1,669,454)	320,198	(852,031)	1,749,256
General and administrative		119,417	188,357	338,362	578,286
Depreciation	6	7,272	8,360	21,775	24,377
Product development		632	598	6,262	15,576
		(942,884)	2,777,763	944,775	6,542,295
Operating profit (loss)		243,739	(2,798,796)	(1,534,183)	(5,590,774)
Other income (expenses)					
Other income		(535)	(1,840)	300	(3,641)
Finance costs:					
Interest expense		(127,430)	(8,218)	(255,893)	(51,952)
Bank charges		(3,173)	(9,424)	(11,227)	(46,645)
Foreign exchange loss		71,456	225,988	(7,519)	244,955
		(59,682)	206,506	(274,339)	142,717
Loss before income taxes		184,057	(2,592,290)	(1808,520)	(5,448,057)
Income tax expense		-	-	-	-
Net profit (loss)		184,057	(2,592,290)	(1,808,520)	(5,448,057)
Other comprehensive loss					
Foreign currency translation		(148,732)	(227,372)	6,773	(255,475)
Net loss and other comprehensive loss		35,326	(2,819,662)	(1,801,747)	(5,703,532)
Basic and diluted loss per common share		(0.00)	(0.03)	(0.02)	(0.05)
Weighted average number of common shares outstanding		114,846,023	111,877,133	113,425,877	105,222,564

The accompanying notes are an integral part of the interim condensed consolidated financial statements

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (deficiency)

For the nine months ended September 30, 2023 and 2022

(expressed in Canadian dollars, unless indicated otherwise)

	Notes	Share capital	Options and warrants	Common shares to be issued	Accumulated other comprehensive	Deficit	Total shareholders' equity (deficiency)
		$	$	$	$	$	$
Balance, December 31, 2022		23,975,584	4,642,185	-	(383,618)	(33,103,279)	(4,869,128)
Shares issued	10	272,587	-	-	-	-	272,587
Stock options	11	-	430,888	-	-	-	430,888
Warrants issued	10	-	(2,061,611)	-	-	-	(2,061,611)
Common shares issued for services	10	351,049	-	-	-	-	351,049
Net loss and other comprehensive loss		-	-	-	6,773	(1,808,521)	(1,801,748)
Balance, September 30, 2023		24,599,220	3,011,462	-	(376,845)	(34,911,800)	(7,677,963)

	Notes	Share capital	Options and warrants	Common shares to be issued	Accumulated other comprehensive	Deficit	Total shareholders' equity (deficiency)
Balance, December 31, 2021		$ 20,452,286	$ 3,672,568	-	$ (64,838)	$ (22,756,150)	$ 1,303,866
Shares issued	10	3,500,000	-	-	-	-	3,500,000
Stock options	11	-	722,719	-	-	-	722,719
Exercise of warrants	10	503,688	(173,348)	-	-	-	330,340
Warrants issued as finder's fees	10	(125,540)	125,540	-	-	-	-
Share issuance costs	10	(414,850)	-	-	-	-	(414,850)
Net loss and other comprehensive loss		-	-	-	(255,475)	(5,448,057)	(5,703,532)
Balance, September 30, 2022		$ 23,915,584	$ 4,347,479	$ -	$ (320,313)	$ (28,204,207)	$ (261,457)

The accompanying notes are an integral part of the consolidated financial statements.

ELEMENT NUTRITIONAL SCIENCES INC.

Interim Condensed Consolidated Statements of Cash Flows
For the six months ended September 30, 2023 and 2022
(expressed in Canadian dollars, unless indicated otherwise)

	Note	September 30, 2023	September 30, 2022
Operating activities:		$	$
Net loss		(1,808,521)	(5,448,057)
Items not involving cash:			
Depreciation of property and equipment	6	18,039	22,415
Depreciation of right-of-use asset		3,735	1,962
Interest accretion		198,947	1,846
Disposal of equipment and leasehold improvements		-	20,006
Loss on disposal of equipment and leasehold improvements		2,621	1,818
Warrants issued with loan, net of expired	10	(2,061,611)	-
Share based compensation	10	430,888	722,719
Settlement of services through issuance of common shares		623,636	-
		(2,592,265)	(4,677,291)
Changes in non-cash operating working capital:			
Decrease (increase) in amounts receivable		769,048	(3,614,527)
Decrease (increase) in prepaid expenses and advances		(557,542)	(177,393)
Increase in inventories		(47,124)	(1,425,560)
Increase in accounts payable and accrued liabilities		924,617	3,104,193
Cash used in operating activities		(1,503,266)	(3,939,458)
Investing activities:			
Purchase of property and equipment		-	(7,176)
Proceeds from sale of equipment		-	3,000
Cash used in investing activities		-	(4,176)
Financing activities:			
Proceeds (repayment of) from loan from shareholder		(200,000)	95,000
Proceeds from issuance of common shares		-	3,500,000
Payment of finder’s fees and transaction costs		-	(414,851)
Proceeds from exercise of warrants		-	330,340
(Repayment) of notes payable	9	(358,920)	(38,428)
Proceeds from (repayment of) bank demand loan		-	271,050
Principal repayments of lease liabilities		(3,735)	(1,962)
Proceeds (Repayment of) from convertible debenture	10	2,063,842	-
Cash provided by financing activities		1,501,186	3,741,149
Impact of foreign exchange rate changes on cash		3,055	(253,645)
Net (decrease) increase in cash		(2,080)	(202,484)
Cash, beginning of period		3,445	492,156
Cash, end of period		**4,420**	**36,028**

Supplementary information

Interest paid	169,877	49,613
Income taxes paid	-	-

The accompanying notes are an integral part of the consolidated financial statements.

Element Nutritional Sciences Inc. (the “Company”), formerly PJ1 Capital Corp., was incorporated under the Business Corporations Act of British Columbia on June 25, 2018. Effective August 31, 2020, the Company changed its name from PJ1 Capital Corp. to Element Nutritional Sciences Inc.

The Company completed the acquisition of Element Nutrition Inc. (“Element”) through a share exchange agreement (“RTO Transaction”) whereby the Company acquired all the issued and outstanding shares of Element on August 31, 2020, with the former shareholders of Element obtaining control of the Company. On the same date, the Company completed the acquisitionof Hammock Pharmaceuticals, Inc. (“Hammock”) through an agreement and plan of merger. References to PJ1 Capital Corp. prior to the RTO Transaction herein are referred to as “PJ1 Capital”.

Element was incorporated under the laws of the province of Ontario on July 11, 2014 and sells nutritional supplements in the form of powders and bars under various brands. Element has completed the development and has begun the commercialization of its flagship brand Rejuvenate.

On August 31, 2020, the Company (PJ1 Capital at the time) acquired all of the issued and outstanding shares of Element by way of the RTO Transaction, pursuant to a share exchange agreement, whereby all of the issued and outstanding shares of Element (28,870,602) were exchanged for 24,375,000 common shares of PJ1 Capital. Following the RTO Transaction, the Company is controlled by Element. Since Element controls the Company after the RTO Transaction, the transaction was accounted for as a reverse acquisition of the Company by Element for accounting purposes. The historical figures presented in these consolidated financial statements represents those of Element and its subsidiaries.

The registered office of the Company is located at 1100 Walkers Line, Suite 401 in Burlington, Ontario.

1. Basis of presentation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee. Accordingly, certain disclosures included in annual consolidated financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the years ended December 31, 2022 and 2021.

These consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2023, 2023.

b) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost method. Significant accounting policies are presented in note 2 to these consolidated financial statements and have been consistently applied in each of the years presented.

1. Basis of presentation (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Element Nutritional Sciences Inc. and its wholly owned subsidiaries, Jaktrx Inc., which was incorporated in the province of Ontario, Canada on June 17, 2014 and acquired by the Company on March 2, 2018; Element Nutrition Ltd., which was incorporated on December 3, 2018 in the state of Nevada; Element Nutrition Inc., which was acquired in an RTO on August, 31, 2020; and Hammock Pharmaceuticals, Inc. which was acquired on August 31, 2020 incorporated under the state of Delaware on January 26, 2016. The Company controls an entity when it has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company consolidates subsidiaries from the date control is obtained and ceases to consolidate a subsidiary on the date control is lost.

All intercompany balances and transactions have been eliminated upon consolidation and preparation of these consolidated financial statements.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency for the Company, Element Nutrition Inc. and Jaktrx Inc. is Canadian dollars and the functional currency for Element Nutrition Ltd. and Hammock Pharmaceuticals, Inc. is U.S. dollars. On consolidation, assets and liabilities of operations with a functional currency other than Canadian dollars are translated into Canadian dollars at period-end foreign currency rates. Revenue and expenses of such operations are translated into Canadian dollars at average rates for the period. Foreign currency translation gains and losses are recognized in accumulated other comprehensive loss in the consolidated statements of loss and comprehensive loss.

e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made relate to:

i. Note 7 – going concern.
ii. Estimating the Company's incremental borrowing rate in connection with measuring lease liabilities involves judgment when the interest rate implicit in a lease is not readily determinable.

1. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

iii. Determining estimates and assumptions in measuring deferred tax assets and liabilities. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. Changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

iv. Notes 9, 10, and 11 – determination of the fair value of warrants and options issued estimated at the date of grant using a Black-Scholes pricing model using key assumptions on the life of the warrants, volatility, and risk-free interest rate.

v. Note 4 – provision for the inventory valuation and determination of net realizable value by taking into consideration the length of time the inventory had not been sold, market conditions and other factors.

2. Significant accounting policies

(a) Revenue recognition

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of goods is measured based on the consideration specified in a contract with a customer and the Company recognizes revenue at a point of time when it transfers control over goods or over a period of time as it provides services to a customer. Revenue is recognized when goods are shipped/delivered or services provided and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the related receivable is probable, persuasive evidence of an arrangement exists, the associated costs and possible return of goods can be estimated reliably, and the sales price is fixed or determinable. Amounts received for future services are deferred until the service is provided.

2. Significant accounting policies (continued)

(b) Inventories

Inventories consist of finished goods, packaging and sub-components and are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Included in the cost of inventories are costs of purchase, plus other costs, such as transportation and duty, that are directly incurred to bring inventories to their present location and condition. Cost is determined using the weighted average cost method, based on individual products.

(c) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated based on the assets' estimated useful life using either the declining balance or straight-line method at the following years/rates:

Asset	Basis	Years/Rates
Office furniture and equipment	Straight-line	20%
Computer equipment	Declining balance	30%
Dies and plates	Straight-line	2 years
Leasehold improvements	Straight-line	Over the lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if necessary.

(d) Research and development

Expenditures on research activities are expensed as incurred. Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, development expenditures are recognized in the consolidated statement of loss and comprehensive loss as incurred.

2. Significant accounting policies (continued)

(e) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, including property and equipment, and rights-of-use assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated undiscounted future cash flows expected to be generated, 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 or cash generating unit. If the carrying amount of the asset or cash generating unit exceeds its value in use, an impairment charge is recognized. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying value of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. For other non- financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined or amortized if no impairment loss had been initially recognized.

Non-financial assets with a definite life, including property and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The carrying amount of goodwill and an intangible asset whose life is determined to be indefinite is reviewed for impairment at each reporting date whether or not there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. Impairment losses are not subsequently reversed.

2. Significant accounting policies (continued)

(f) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss unless it relates to items recognized in correlation to an underlying transaction in either other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry- forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, within their respective expiry periods.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be availableto allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed as at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted as at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(g) Financial instruments

Financial instruments

Amounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

A financial asset (unless it is an amount receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An amount receivable without a significant financing component is initially measured at the transaction price.

The Company's financial assets are comprised of cash and amounts receivable. On initial recognition, the Company classifies these financial assets as loans and receivables and measured at amortized cost, when both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, gain or loss on derecognition and impairment are recognized in the consolidated statement of loss and comprehensive loss.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

For amounts receivable, the Company applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, notes payable, bank demand loan, government loans, due to related party and lease liabilities. Financial liabilities are initially measured at fair value less any transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset of financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit or loss – expensed to net income as incurred.
- Financial assets or liabilities recorded at amortized cost – included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income - included in the initial cost of the underlying asset.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership are transferred or the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(h) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

(j) Share based compensation

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as share-based compensation in the consolidated statements of loss and comprehensive loss, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Share-based payment arrangements granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services are rendered. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option-pricing model.

The increase in equity recognized in connection with a share-based payment transaction is presented in the “Options and warrants" line item on the consolidated statements of financial position, as a separate component in equity. For share-based payment awards with market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(k) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly orimplicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from useof the asset throughout the period of use; and
- The Company has the right to direct the use of the assets. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

2. Significant accounting policies (continued)

(k) Leases (continued)

For arrangements in which the Company is a lessee:

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined by the estimated lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets: The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(l) Segmented information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer. The operating results are regularly reviewed by the CODM to determine decisions about resources and how they will be allocated to determine performance. At this time, management does not make decisions by revenue stream, but rather as an organization as a whole on a consolidated basis. Therefore, the consolidated financial statements are presented as one operating segment and two geographical areas.

(m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive; there were none during 2022 and 2021. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(n) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded within the consolidated statements of loss and comprehensive loss as a reduction to the related item that the grant is intended to offset, in the period in which eligible expenses were incurred or when the services have been performed.

(o) Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for an acquisition is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

The excess of the consideration transferred, and the acquisition date fair value of the identifiable net assets acquired is recorded as goodwill. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they are adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

(expressed in Canadian dollars, unless indicated otherwise)

2. Significant accounting policies (continued)

(p) Standards, amendments, and interpretations issued but not yet adopted

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IAS 1 Presentation of Financial Statements was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2024. Earlier adoption is permitted. The Company will adopt this amendment as of the effective date and is currently assessing the impact of adoption.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors was amended to clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy and clarifying that accounting estimates are monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. The amendments are required to be applied for annual reports commencing on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of these amendments on the disclosure of the accounting policies.

IAS 12 Deferred Tax Arising from a Single Transaction was amended to clarify that entities are required to recognize deferred taxes on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendments are required to be applied on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of these amendments on the consolidated financial statements.

3. Amounts receivable

	September 30, 2023 $	December 31, 2022 $
Trade receivables	108,928	147,717
Less: Allowance for doubtful accounts	(25,003)	(33,125)
Net Trade receivables	83,925	114,592
Add: HST receivable	42,853	155,203
Add: Other receivables (a)	1,500	627,531
	128,278	897,326

(expressed in Canadian dollars, unless indicated otherwise)

4. Inventories

	September 30, 2023 $	December 31, 2022 $
Finished goods	612,758	981,004
Packaging	80,266	110,972
Sub-components	802,666	931,140
Total Inventory	1,495,690	2,023,116
Less: Allowance	-	574,550
Net Inventory	1,495,690	1,448,566

The amount of inventory included in the cost of sales was $312,102 for the nine months ended September 30, 2023 (September 30, 2022 - $2,158,250). The amount of inventory included in cost of sales was $78,334 for the three months ended September 30, 2023 (September 30, 2022 - $406,750). For the three and nine months ended September 30, 2023 and 2022 there were no write downs from cost to net realizable value.

5. Property and equipment

Reconciliation of the net carrying amounts for each class of property and equipment is summarized below:

	Office Furniture and equipment	Computer equipment	Dies and plates	Leasehold improvements	Total
Cost					
January 01, 2022	$113,278	$91,313	$24,674	$22,606	$251,871
Additions (net of disposal)	-	23,377	730	(20,006)	4,101
December 31, 2022	$113,278	$114,690	$25,404	$2,600	$255,972
Additions (net of disposal)	-	(2,621)	-	-	(2,621)
Foreign exchange impact	-	-	(65)	-	(65)
September 30, 2023	$113,278	$112,068	$25,339	$2,600	$253,285
Accumulated depreciation					
January 01, 2022	$87,352	$55,563	$17,983	$14,184	$175,082
Depreciation	8,642	18,367	2,742	(11,584)	18,167
Foreign exchange impact	-	-	387	-	387
December 31, 2022	$95,994	$73,930	$21,112	$2,600	$193,636
Depreciation	2,593	13,847	1,599	-	18,039
Foreign exchange impact	-	-	(51)	-	(51)
September 30, 2023	$98,587	$87,777	$22,661	$2,600	$211,625
Net carrying amounts					
December 31, 2022	$17,284	$40,760	$4,292	-	$62,336
September 30, 2023	$14,691	$24,291	$2,678	-	$41,660

(expressed in Canadian dollars, unless indicated otherwise)

6. Leases

Through the acquisition of Hammock Pharmaceuticals, Inc., the Company acquired operating leases which ended in October 2022 and November 2022.

The Company leased a Xerox printer on a six-year term commencing May 2022 ending in April 2028 and maintains a quarterly payment of $1,695.

The Company's Xerox lease obligations are calculated using the Company's incremental borrowing rate based on the specific lease commitment and term. The average incremental borrowing rate for 2022 was 6.5%.

(i) Right-of-use assets

Right-of-use assets	2023 $	2022 $
Opening balance	-	-
Additions: Xerox	33,954	-
Less: depreciation	(6,898)	-
Less: impairment	-	-
Ending balance	27,056	-

(ii) Lease liabilities

Lease liabilities	2023 $	2022 $
Opening balance	-	-
Additions: Xerox	33,954	-
Add: interest expense	2,706	-
Less: principal repayments	(6,898)	-
Less: interest payments	(2,706)	-
Less: derecognition	-	-
Ending balance	27,056	-

(iii) Lease liabilities included in the consolidated statements of financial position

	2023 $	2022 $
Current	5,253	-
Non-current	21,804	-
Balance	27,056	-

(expressed in Canadian dollars, unless indicated otherwise)

6. Leases (continued)

(iv) Maturity analysis for leased liabilities – contractual undiscounted cash flows:

	2023 $	2022 $
Less than one year	6,779	-
1 to 5 years	24,292	
Total undiscounted lease obligations	31,071	-

7. Going concern

These unaudited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has experienced negative cash flows from operations and net loss for the months ended September 30, 2023 and 2022. While the Company has experienced an increase in the number of locations in which its products are sold, the Company is dependent on additional sources of liquidity to discharge its current liabilities and finance continued growth and operations. While the Company has secured additional sources of liquidity as described in notes 9, 10 and 19, the Company's ability to continue as a going concern is dependent upon raising additional capital and sources of liquidity. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these consolidated financial statements should such events impair the Company's ability to continue as a going concern.

8. Bank demand loan

The Company maintains a demand loan with RBC with an interest rate of prime + 1.61% (8.81%) per annum (December 31, 2022 – 8.06%) and a limit of $500,000. The amount outstanding as at September 30, 2023 was $500,000 (December 31, 2022 - $500,000). The demand loan is secured by a general security agreement.

9. Notes payable

As consideration for the acquisition of Jaktrx Inc. by Element on March 2, 2018, Element issued unsecured, non-interest-bearing notes payable to the four vendors in the aggregate amount of $500,000 subject to working capital adjustments. After consideration of the working capital adjustments of $163,725, the net amount owing to the four vendors was $336,275. On September 1, 2021, all parties agreed to amend the terms of repayment of the debt, hence, Element paid 50% ($168,138) of the debt upon signing the agreement. The balance of the debt will be paid on or before July 15, 2023 in quarterly installments. The quarterly instalments will be the amounts equal to 10% of the JAKTRX's quarterly sales. The Company made no additional payment during the first nine months of 2023. The balance of this loan at September 30, 2023 is $156,270 (2022: $148,585) which has been classified as current.

Through the acquisition of Jaktrx Inc., Element assumed an unsecured, non-interest bearing note payable of $59,997 to a previous shareholder of Jaktrx Inc. who became a shareholder of Element. The Company made a payment of $30,198 during the year 2021. The balance of this note payable will be paid on or before July 15, 2023 in quarterly instalments. The quarterly instalments will be the amounts equal to 10% of the JAKTRX's quarterly sales. The Company made no additional payment during the first nine months of 2023. The balance of this loan at September 30, 2023 is $27,364 (2022: $26,529) which has been classified as current.

On October 31, 2022, the Company entered into a non-secured bridge loan agreement with L5 Capital Inc. (the "Lender") for the principal sum of up to $1,000,000, of which $250,000 was disbursed on the same date and the remainder of $750,000 will be disbursed to the Company on or before December 31, 2022, in such increments and at such times as determined by the Lender, which will accrue interest at a rate of 10 percent (10%) per annum (the "Loan"), accruing daily on each amount of the Loan advanced from the date of the advance and compounding monthly, and be due on the earlier of (1) that is six (6) months from the date of the Loan Agreement, being April 30, 2023; and (2) that the Company or any of its subsidiaries close a financing of any kind or nature resulting in gross proceeds equal to or greater than $1,000,000. The remaining $750,000 was not disbursed as of December 31, 2022, and has expired.

As additional consideration for the Loan, the Company agreed to issue two series A warrants for every dollar of the loan up to a total of 2,000,000 series A warrants and two series B warrants for every dollar of the loan up to a total of 2,000,000 series B warrants. The fair value of warrants was estimated using Black-Scholes valuation model with the following assumptions: (i) expected life of 2.00 to 5.00 years; (ii) risk free rate ranging between 3.35% to 3.88%; (iii) dividend yield of nil; and (iv) volatility of 130%; for an aggregate fair value of $87,448. On October 31, 2022, a total of 4,000,000 warrants were issued, of which 3,000,000 expired on December 31, 2022. The principal amount of the Loan was proportionately allocated to the Loan and the 1,000,000 warrants issued. The amounts allocated to the equity issuances were recorded as a discount to the Loan and as options and warrants. For the first nine months ended September 30, 2023, the Company amortized $62,367 of the debt discount and as September 30, 2023 the unamortized debt discount was $nil. On September 15, 2023 the company entered into a debt settlement agreement with L5 Capital, pursuant to which the Company agreed to settle $272,587 in outstanding debt and in exchange issued 3,634,499 common shares of the Company to L5 Capital Inc.

(expressed in Canadian dollars, unless indicated otherwise)

9. Notes payable (continued)

On November 23, 2022, Jaktrx Inc. received $250,000 as a bridge loan from JIVE.COM INC. (Jive) bearing interest at a rate of ten percent (10%) per annum and payable on demand or at such time as the Company sells the inventory in which Jive has a security interest. This promissory note shall be fully open and may, in the Company's sole and absolute discretion and privilege, be paid in whole or in part, at any time or times, without notice, bonus, premium or penalty. The balance of $271,233 including interest has been recorded as current liabilities. The loan is fully secured by JAKTRX inventory.

10. Share capital

The following table provides a breakdown of the authorized and issued share capital and warrants of the Company at September 30, 2023 and 2022:

	September 30, 2023 $	**September 30, 2022 $**
Authorized:		
Unlimited number of common shares voting, no par value		
Unlimited number of special warrants		
Issued and outstanding:		
118,313,680 common shares (2022 – 112,103,916)	24,599,220	23,915,584
3,111,600 special warrants (2022 – 8,665,460)	322,150	2,139,321
	24,921,370	26,054,905

Share transactions of the Company during the nine months ended September 30, 2023 are as follows.

a) On May 12, 2023, the Company issued 869,231 shares to Loderock Advisors Inc. at $0.13 per share in settlement of $113,000 payable to Loderock Advisors Inc.

b) The Company has entered into a debt settlement agreement with an arm's length service provider, pursuant to which the Company has settled US$142,484.53 (approximately C$191,798.43, using the USD/CAD exchange rate published by the Bank of Canada for August 14, 2023) in outstanding debt in exchange for the issuance of 1,096,034 common shares of the Company (the "Debt Settlement"). Any securities issued in connection with the Debt Settlement will be subject to a hold period of four months and one day.

c) On May 27, 2023, the Company offered an unsecured, non-transferable 10% convertible debentures to raise gross proceeds of up to $2,000,000. The principal amount is convertible, at any time up to two years of the issuance date into one common share of the Company at a price of $0.10 per share and one non-transferable share purchase warrant. Each warrant is exercisable to purchase one share at an exercise price of $0.25 for a period of three years from the issuance date. These debentures closed on July 14, 2023, and issued a total of 1,906,500 convertible bonds.

10. Share capital (continued)

d) On June 2, 2023 the Company issued 1,000,000 stock options at $0.20 to Vito Sanzone with an expiry date of June 20, 2026.

e) On June 2, 2023 the Company issued 1,000,000 stock options at $0.20 to Janice Day with an expiry date of June 20, 2026.

f) On July 04, 2023 the Company issued 250,000 common shares and 1,000,000 warrants at $0.185 to get an extension on the loan from L5 Capital per note-9 in the financial statements.

g) On September 15, 2023 the company entered into a debt settlement agreement with an arm's length lender, (L5 Capital) , pursuant to which the Company has agreed to settle $272,587 in outstanding debt in exchange for the issuance of 3,634,499 common shares of the Company to the creditor (the "Debt Settlement").

h) During the nine months of 2023, 7,553,860 warrants have expired with a liability of $2,125,385 at fair value, which have now been reversed.

Share transactions of the Company during the six months ended June 30, 2022 are detailed as follows:

a) On January 13, 2022, 1,000,000 broker warrants were exercised at an exercise price of $0.25 per common share for a total amount of $250,000. The Company issued 250,000 common shares.

b) On May 6, 2022, the Company completed a public offering by way of short prospectus and issued 14,000,000 Common Shares at a price of $0.25 per Common Share (the "Short Form Offering") for gross aggregate proceeds of $3,500,000. The agent for the Short Form Offering received a cash commission equal to 8.0% of the gross proceeds from the sale of Common Shares pursuant to the Short Form Offering and broker warrants (each, a "Broker Warrant") equal to 8.0% (1,120,000 warrants) of the number of Common Shares sold pursuant to the Short Form Offering. The Company also paid out $172,989 towards legal and other expenses related to this offering. Each Broker Warrant is exercisable to purchase one Common Share at a price of $0.25 per share for a period of 24 months from the date of closing of the Short Form Offering.

   The fair value of warrants was estimated using Black-Scholes valuation model with the following assumptions: (i) expected life of 2.00 years; (ii) risk free rate of 2.53%; (iii) dividend yield of nil; (iv) expected volatility of 88%; and (v) fair value of the share price of $0.24 at the time of grant based on the market price, valued at $0.1121 per warrant. These issuance costs were adjusted against share capital in the interim condensed consolidated statements of changes in shareholders' equity (deficiency).

c) In June 2022, 8,400 warrants were exercised at an exercise price of $0.25 per common share for a total amount of $2,100. The Company issued 8,400 common shares.

(expressed in Canadian dollars, unless indicated otherwise)

10. Share capital (continued)

The issued and outstanding warrants as at September 30, 2023 are as follows:

	#	$
Opening - warrants as at January 1, 2023	9,665,460	2,383,761
Issued during the period	1,000,000	63,774
Expired during the period	(7,553,860)	(2,125,385)
Exercised during the year	-	-
Closing - warrants as at September 30, 2023	3,111,600	322,150

The issued and outstanding warrants as at September 30, 2022 are as follows:

	#	$
Opening - warrants as at January 1, 2022	9,075,460	2,344,121
Issued during the period	1,120,000	125,540
Exercised during the period	(1,530,000)	(330,340)
Closing - warrants as at September 30, 2022	8,665,460	2,139,321

11. Stock options

The Company recorded share-based compensation during the three and nine months ended September 30, 2023 of $98,462 and $430,888 (three and nine months ended September 30, 2022 of $210,128 and $722,720), in relation to the stock options issued.

The outstanding stock options as at September 30, 2023 are as follows:

Grant date	Exercise price	Number of options	Number of vested options	Weighted average remaining life (Years)
December 22, 2020	$0.25	500,000	500,000	2.23
January 18, 2021	$0.25	1,300,000	1,300,000	2.30
March 10, 2021	$0.25	3,400,000	3,383,333	2.44
July 5, 2021	$0.81	1,700,000	1,329,167	3.76
August 19, 2021	$0.70	1,500,000	1,500,000	2.88
June 20, 2023	$0.20	2,000,000	-	4.72
Total		10,400,000	5,645,833	2.89

	September 30, 2023	September 30, 2022
Opening # of options	8,400,000	8,400,000
Issued during the year	2,000,000	-
Cancelled/forfeited during the year	-	-
Closing # of options	10,400,000	8,400,000

(expressed in Canadian dollars, unless indicated otherwise)

12. Segmented information

The operations of the Company include activity in Canada and the United States. The Company is organized into one operating segment. For the operating segment, the Company's Chief Operating Decision Maker ("CODM") reviews internal management reports, evaluating the metrics as summarized in the table below.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue on sale of goods	$208,991	$569,460	$ 395,694	$4,132,016
Gross profit	(699,145)	(21,033)	(589,408)	951,521

The following disaggregates revenue by primary geographical markets:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022
Canada	$ 23,734	$ 102,534	$ 162,782	$ 293,136
United States	185,257	466,926	209,178	3,838,880
	$ 208,991	$ 569,460	$ 395,694	$ 4,132,016

13. Related party transactions

The Company's key management personnel, and persons connected with them, are considered to be related parties for disclosure purposes.

Included in accounts payable and accrued liabilities were a balance of $155,749 owed to the Company's past Chief Executive Officer (December 31, 2022 - $120,366) and $134,417 owed to the Company's Chief Financial Officer (December 31, 2022 - $59,413).

Key management personnel:

Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company and include the Company's Chief Executive Officer. For the three and nine months ended September 30, 2023 the Company recognized $73,400 and $223,411, respectively (three-and nine-months ended September 30, 2022, the Company recorded $73,000 and $223,000, respectively), related to key management personnel as salaries and wages. The Company also recognized for the nine months ended September 30, 2023 and 2022 $35,619 and $99,845, respectively; for the nine months ended September 30, 2023 and 2022, $190,289 and $296,279 respectively, in share-based compensation.

14. Government grants

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and was declared no longer a global health emergency on May 5, 2023. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally including Canada and the United States of America resulting in an economic slowdown. As at result, the Company has extended its payments terms with suppliers to assist in managing cashflow.

Canada Emergency Business Account

The Company received the Canada Emergency Business Account (“CEBA”) loan amounting to $40,000 during the year ended December 31, 2020. The CEBA program provided the Company with an interest free loan, which if repaid prior to December 31, 2023, will result in forgiveness of 25% of the loan. Since there is reasonable assurance that the Company will repay $30,000 by December 31, 2023, the Company recognized $10,000 in net income when the loan was granted. The liability resulting from the $30,000 balance was initially recognized at its fair value of $26,614 using an effective interest rate of 4.5%. As at September 30, 2023, the balance was $30,000 (December 31, 2022 – $30,000) and is recorded as current liabilities.

14. Government grants (continued)

Paycheck Protection Program

Prior to the acquisition, in May 2020, Hammock applied for and received a loan under the Paycheck Protection Program (“PPP”) in the amount of $113,516 (US $78,200). The receipt of the loan and any subsequent forgiveness is based on future adherence to the forgiveness criteria. The final details for forgiveness of the loan are still being developed by the Small Business Administration (“SBA”) and the amount of any possible forgiveness cannot be measured. The PPP loan bears interest at 1% per annum and if not forgiven, has a maturity date of May 6, 2022. As at September 30, 2023 the principal and interest owing was $113,516 (December 31, 2022 - $109,433).

Economic Injury Disaster Loans program

Prior to the acquisition, in May 2020, Hammock also applied for and received an Economic Injury Disaster Loans program (“EIDL”) loan from the SBA in the amount of $174,485 (US $120,200). The EIDL loan has a term of 30 years and bears interest at a rate of 3.75% per annum. The first instalment, including principal and interest was payable on May 4, 2021, with the balance of principal and interest payable monthly at a rate of US $586 per month. As at December 31, 2022, the principal and interest owing was $174,485 (December 31, 2022- $179,079).

The acquisition of Hammock triggered an event of default for both US loans and the loans are considered due on demand. As a result, both loans are recorded as current liabilities at September 30, 2023 and 2022.

15. Fair values of financial instruments

Financial risk factors:

The Company, through its financial assets and liabilities, has exposure to the following risks fromits use of financial instruments: currency risk, liquidity risk and credit risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Accounting classifications and fair values

The Company's financial instruments consist of cash, amounts receivable, bank demand loan, accounts payable and accrued liabilities, notes payable, lease liabilities, due to related party and government loans. The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value due to the short-term and demand nature of the instruments.

(a) Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company purchases inventories and incurs operating expenses denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk, however, the Company also has sales in U.S. dollars to reduce the net currency risk.

The Company held US$551 in cash at September 30, 2023 (December 31, 2022 - US$5,966) while there are two government loans in US$. The Company manages its exposure through its regular operating and financing activities. A 1% change in the exchange rate between the U.S. dollars and the Canadian Dollar would have an immaterial impact on these consolidated financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company, which is in the commercial development stage of a key product, manages its liquidity risk by monitoring its operating requirements. The Company has experienced losses and the ability to meet its obligations and commitments as they come due is dependent upon raising additional capital and sources of liquidity and on the achievement of profitable operations in the future (note 7).

The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfillits obligations. The Company's financial liabilities are comprised of its bank demand loan, accounts payable and accrued liabilities, notes payable, government loan, due to related party and lease liabilities. The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

(expressed in Canadian dollars, unless indicated otherwise)

15. Fair values of financial instruments (continued)

	12 months $	1 to 2 years $	3 to 5 years $	Total $
Bank demand loan	500,000	-	-	500,000
Accounts payable and accrued liabilities	6,778,310	-	-	6,778,310
Notes payable	454,867	-	-	454,867
Government loans	318,001	-	-	318,001
Lease liabilities	6,779	6,779	17,513	31,071
As at September 30, 2023	8,057,957	6,779	17,513	8,082,249

(c) Credit risk and economic dependence

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Company deals with credit worthy counterparties to mitigate the risk of financial loss from defaults. The Company monitors the credit risk of customers through credit rating reviews. The allowance for doubtful accounts as at September 30, 2023 was $nil (December 31, 2022 - $33,125). The maximum credit risk exposure for all of the Company's current financial assets is the carrying value of those assets.

The following table provides information regarding the aged trade receivable:

	Current	31-60 days	61-90 days	91 days+
September 30, 2023	15%	9%	3%	73%

As at September 30, 2023, 4 customers (2022 – 3 customers) comprised of 88% (2022 – 90%) of trade receivables. Seven customers represented 88% of revenue for the nine months ended September 30, 2023 (seven customers represented 80% in 2022).

15. Capital management

The Company's objectives when managing capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth, by investing in sales, marketing and production development. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board of Directors is responsible for overseeing this process. 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 issue new shares, repurchase shares, or issue debt. Management reviews the capital structure on a regular basis to ensure that objectives are met. The Company is not subject to external restrictions on its shareholder debt or its share capital.

16. Commitments and contingencies

a) Under the license agreements with its suppliers, the Company is required to purchase certain minimum quarterly servings and make quarterly royalty payments in order to maintain its rights under the agreements.

b) During the year ended December 31, 2021, a claim for alleged wrongful dismissal, unpaid wages and general damages in the aggregate amount of $197,625 was filed against the Company by a former employee of Hammock Pharmaceuticals, Inc. The Company believes the claim is without merit and that the ultimate disposition of the proceedings will not have a material effect on it consolidated results of operations, cash flows, or financial position.

c) On September 11, 2023, Eight IP, LLC ("EightIP") filed a claim (the "Claim") against the Company's subsidiary Element Nutrition Inc. ("ENI") and others alleging, among other things, that ENI's license agreement in respect of the patented formula included in its Rejuvenate and Promino beverages (the "Patent") has been terminated, and that accordingly continued sale of the products by the Company represent an infringement of that Patent. The Eight IP claim further alleged that US$670,000 is due from ENI to Eight IP on account of royalties payable pursuant to the license agreement in respect of the Patent, in addition to damages sought on account of the alleged Patent infringement and intentional interference with Eight IP's economic relationships. On review of the Claim there are a number of defenses available to the Company, and the Company is working diligently to achieve an amicable settlement that will allow the relationship to continue.

17. Subsequent events

a) On October 04, 2023 the Company has entered into a Strategic Business Services Agreement with JAB Advisors Inc., a Florida corporation and Adam Berk (the "Advisor") to onboard Adam Berk for his strategic advisory services. In return the Company has allocated 1,500,000 Common shares which will be issued at a deemed price equal to the closing price of the issuer's Common Shares on the CSE on the last trading day prior to each issuance. On October 04, 2023 the Company issued 500,000 Common Shares to Adam Berk at $0.06 at signing of the agreement. The remaining Common Shares will be issued in 3(three) tranches, i) 350,000 Shares on December 31, 2023, ii) 350,000 Shares on March 31, 2024 and iii) 300,000 Shares on June 30, 2024.