Hybrid Power Solutions Inc.

Consolidated Financial Statements
For the years ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

To the Shareholders of Hybrid Power Solutions Inc.:

Opinions

We have audited the consolidated financial statements of Hybrid Power Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2023 and May 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Unmodified Opinion on the Consolidated Financial Statements for the year ended May 31, 2023 and the Consolidated Financial Position as at May 31, 2022

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

Qualified Opinion on the Consolidated Financial Performance and Consolidated Cash Flows for the year ended May 31, 2022

In our opinion, except for the for the effects of the matter described in the Basis for Opinions section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial performance and its consolidated cash flows of the Company for the year ended May 31, 2022 in accordance with International Financial Reporting Standards.

Basis for Opinions

Because we were appointed auditors of the Company during 2022, we were not able to observe the counting of physical opening inventories as at June 1, 2021, nor satisfy ourselves concerning those inventory quantities by alternative means. Consequently we were unable to determine whether any adjustments to the consolidated financial performance and consolidated cash flows might be necessary for the year ended May 31, 2022.

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 unmodified opinion on the consolidated financial statements for the year ended May 31, 2023 and the consolidated financial position as at May 31, 2022 and our qualified opinion on the consolidated financial performance and consolidated cash flows for the year ended May 31, 2022.

MNP LLP

1122 International Blvd, 6th floor, Burlington ON, L7L 6Z8 T: 905.333.9888 F: 905.333.9583

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended May 31, 2023 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

September 28, 2023 — Licensed Public Accountants

Hybrid Power Solutions Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at

	Notes		**May 31, 2023**		May 31, 2022
ASSETS					
Current assets					
Cash		**$**	**2,888**	$	107,633
Accounts and other receivable	5		**494,662**		185,021
Prepaid expenses and deposits	6		**149,144**		234,694
Inventory	7		**1,424,202**		562,648
Total current assets			**2,070,896**		1,089,996
Contract costs	14		**22,419**		-
Prepaid expenses and deposits	6		**40,339**		-
Property and equipment	8		**524,731**		118,544
Right of use assets	9		**133,092**		177,456
Total assets		**$**	**2,791,477**	$	1,385,996
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	10,19	**$**	**1,896,609**	$	895,207
Line of credit	11		**62,688**		81,660
Return and warranty liability	14		**32,678**		18,180
Contract liabilities	14		**111,150**		638,025
Loans payable	12,19		**504,872**		472,445
Lease liability	9		**45,419**		39,456
Convertible debentures	13		**1,867,418**		-
Convertible debentures to be issued	13,19		**-**		65,000
Total current liabilities			**4,520,834**		2,209,973
Lease liability	9		**105,597**		151,017
Loans payable	12,19		**251,634**		116,666
Contract liabilities	14		**54,745**		-
Total liabilities			**4,932,810**		2,477,656
Shareholders' deficiency					
Share capital	18	**$**	**1,541,012**	$	114,273
Reserves	13,18		**242,167**		-
Convertible debt – conversion option	13		**135,619**		-
Deficit			**(4,060,131)**		(1,205,933)
Total shareholders' deficiency			**(2,141,333)**		(1,091,660)
Total liabilities and shareholders' deficiency		**$**	**2,791,477**	$	1,385,996

Nature of operations and going concern (Note 1)

Hybrid Power Solutions Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended May 31,

	Notes		2023		2022
Revenue	14	**$**	3,301,202	$	1,837,980
Cost of sales	7, 15		2,190,910		1,358,194
Gross profit			1,110,292		479,786
Expenses					
Advertising		**$**	256,970	$	96,563
General and administrative	16		635,203		350,110
Salaries and benefits	19		1,282,222		788,199
Professional fees	19		1,361,880		78,598
Research and development			130,849		81,196
Share-based compensation			193,544		-
Total operating expenses			(3,860,668)		(1,394,666)
Interest and accretion	9,12,13		(351,248)		(80,376)
Foreign exchange			(35,258)		7,686
Government assistance	17		87,641		91,061
Other income	20		138,925		19,811
Net loss before income taxes		**$**	(2,910,316)	$	(876,698)
Recovery of deferred income taxes	21		56,118		-
Net loss and comprehensive loss for the year			(2,854,198)		(876,698)
Weighted average number of shares – Basic and diluted	18		28,036,074		26,778,522
Loss per share – Basic and diluted		**$**	(0.10)	$	(0.03)

Hybrid Power Solutions Inc.

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

	Notes	Number of common shares		Share Capital Amount		Reserve		Convertible debt-Conversion option		Deficit		Total shareholders' deficiency
Balance, May 31, 2021		26,778,523	$	114,273	$	-	$	-	$	(329,234)	$	(214,962)
Net loss		-		-		-		-		(876,698)		(876,698)
Balance, May 31, 2022		**26,778,523**	**$**	**114,273**	**$**	**-**	**$**	**-**	**$**	(1,205,933)	**$**	(1,091,660)
Balance, May 31, 2022	**18**	**26,778,523**	**$**	**114,273**	**$**	**-**	**$**	**-**	**$**	**(1,205,933)**	**$**	**(1,091,660)**
Issuance of shares, private placement	**18**	5,100,000		1,530,000		**-**		**-**		**-**		**1,530,000**
Share issuance costs	**18**	**-**		(141,013)		20,933		-		**-**		**(120,080)**
Shares issued for services	**18**	**221,477**		37,752		-		-		**-**		**37,752**
Issuance of convertible debt, net of issuance costs	**13**	**-**		-		-		135,619		**-**		**135,619**
Convertible debt issuance costs - warrants	**13**	**-**		-		27,690		-		**-**		**27,690**
Share-based compensation		**-**		-		193,544		**-**		**-**		**193,544**
Net loss		-		-		-		-		(2,854,198)		**(2,854,198)**
Balance, May 31, 2023		**32,100,000**	**$**	**1,541,012**	**$**	**242,167**	**$**	**135,619**	**$**	**(4,060,131)**	**$**	**(2,141,333)**

Hybrid Power Solutions Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended May 31,

	Notes		2023		2022
Operating activities					
Net loss for the year		**$**	**(2,854,198)**	$	(876,698)
Items not affecting cash:					
Accrued interest and accretion	**9,12**		**340,654**		22,481
Bad debt expense	**4**		**46,050**		16,262
Deferred income tax recovery			**(56,118)**		-
Depreciation	**8,9,16**		**71,473**		49,499
Government assistance	**17**		**(16,320)**		-
Shares issued for services			**37,752**		-
Gain on sale of property and equipment	**20**		**(16,567)**		-
Share-based compensation			**193,544**		-
Non-cash working capital items:					
Accounts receivable	**5**		**(355,690)**		(61,172)
Prepaid expenses	**6**		**(35,916)**		(108,167)
Inventory	**7**		**(861,554)**		(84,963)
Contract costs	**14**		**(20,169)**		-
Accounts payable and accrued liabilities	**10,19**		**999,152**		367,038
Deferred revenue	**14**		**(472,130)**		570,346
Return and warranty liability			**14,498**		(11,759)
Net cash used in operating activities			**(2,985,539)**		(93,615)
Investing activities					
Purchase of property and equipment	**8**		**(377,602)**		(118,762)
Proceeds on sale of property and equipment	**8**		**42,000**		-
Net cash used in investing activities			**(335,602)**		(118,762)
Financing activities					
Line of credit	**11**		**(18,972)**		25,213
Proceeds from loans payable	**12,19**		**585,991**		597,143
Proceeds from issuance of shares	**18**		**1,530,001**		-
Share issuance costs	**18**		**(120,081)**		-
Repayments of loans payable	**12,19**		**(436,568)**		(319,204)
Lease payments	**9**		**(56,728)**		(50,397)
Proceeds from convertible debentures	**13**		**1,732,753**		65,000
Net cash provided by financing activities			**3,216,396**		317,755
Change in cash			**(104,745)**		105,378
Cash, beginning of year			**107,633**		2,255
Cash, end of period		**$**	**2,888**	$	107,633
Supplemental cashflow disclosure					
Interest paid		**$**	**46,974**	$	55,855
Taxes paid		**$**	**-**	$	-
Agent’s warrants issued		**$**	**48,623**	$	**-**

1. NATURE OF OPERATIONS AND GOING CONCERN

Hybrid Power Solutions Inc. (the "Company") was incorporated on December 7, 2015, under the laws of Ontario, and continued into British Columbia under the Business Corporations Act (British Columbia) on June 13, 2022. Its head office is located at 208-333 Terminal Avenue, Vancouver, British Columbia, V6A 4C1, and its manufacturing facility is in Toronto, Ontario. HPS Solar Inc., a wholly owned subsidiary of the Company, was incorporated under the laws of Ontario on March 17, 2022.

On July 22, 2022, the Company amalgamated with its parent company Hybrid Power Solutions Inc. (formerly 2494760 Ontario Inc.). On July 23, 2022, the Company completed a forward split of all issued and outstanding common shares on a 1 existing share for 10,000 post-subdivision common shares for a total of 1,110,000 issued and outstanding post subdivision common shares. On July 26, 2022, the Company completed a second forward split of all issued and outstanding common shares on a 1 existing share for 24.12479488340 post-subdivision common shares for a total of 27,000,000 issued and outstanding post-subdivision common shares. Prior to the first forward splits, the Company had 111 shares issued and outstanding. An additional 9,180 shares were issued prior to the second forward split, which then added additional 221,478 shares to the pool after the second split. Except where otherwise indicated, all historical share numbers and per share amounts have been adjusted on a retroactive basis to reflect the share reorganization and forward split.

The Company designs and manufactures patent pending portable battery systems and customized energy solutions for a variety of industrial markets, including the mining, railway, public transit, and construction sectors. During the year ended May 31, 2023, the Company, through its wholly owned subsidiary, HPS Solar Inc., introduced a franchise network of solar power installers that operate under the Company's trademark and offer the sale and installation of the Company's products.

During the year, the Company filed a preliminary long-form prospectus and is in the process of having their common shares listed on the Canadian Securities Exchange.

Going concern

These 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 not generated positive cash flows from operations and relies on financing for its activities. During the year ended May 31, 2023, the Company incurred a net loss of $2,854,198 (2022 - $876,698) and as of May 31, 2023, had an accumulated deficit of $4,060,131 (2022 - $1,205,933) and a working capital deficit of $2,449,938 (2022 - $1,119,977). The Company's ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives, and/or generating profitability and positive cash flows. These factors indicate the existence of a 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. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation
These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its subsidiary. Subsidiaries are those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to variable returns from its activities. Details of the Company's subsidiary are follows:

SUBSIDIARIES	OWNERSHIP PERCENTAGE	JURISDICTION OF INCORPORATION
HPS Solar Inc.	100%	Ontario, Canada

Inter-company balances and transactions are eliminated on consolidation.

The financial statements were approved and authorized for issuance on September 28, 2023, by the Board of Directors.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both the current and future periods.

The following are the judgments that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Going concern
The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

2. BASIS OF PRESENTATION (continued)

Income taxes
Income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

Research and development expenditures
Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at May 31, 2023 and 2022.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Property and equipment – useful lives
The Company estimates the useful lives and selects methods used to allocate amortization amounts of property and equipment on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

Provision for expected credit losses (ECL)
For trade receivables and contract assets, the Company applies a simplified approach to calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date, by applying a loss rate to each aging bucket. In estimating the expected credit loss, management takes into account historical experience, current collection trends, age of receivables and when warranted and available, the financial condition of specific counterparties.

Sales warranty
Revenue is recorded net of discounts. The Company provides a 6- month commercial or 12-month standard warranty on its products. An allowance is made for warranty claims based on estimated amount of returns.

Leases - Estimating the incremental borrowing rate
In situations where the Company cannot readily determine the interest rate implicit in leases where it is the lessee, the Company uses its Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

2. BASIS OF PRESENTATION (continued)

Impairment of Long-Lived Assets
The Company reviews the carrying amounts of its non-financial assets, including property and equipment and right-of-use assets, when events or changes in circumstances indicate the assets may not be recoverable. 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. The Company considered various factors including, but not limited to, the condition of its long-lived assets, economic factors that may impact the value of the long-lived assets and any indications of obsolescence.

Inventory
Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions.

Share-based compensation
The Black Scholes pricing model used to determine the fair value of share-based payments requires various estimates relating to volatility, interest rates, dividend yields and expected life of the options and warrants granted. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant. Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of equity-settled share-based payments.

Convertible debenture
The Company issues financial instruments that contain both liability and equity components. The identification of liability and equity components of compound financial instruments requires management to evaluate the substance of the instrument. Measurement of the liability component at fair value on initial recognition requires management to estimate the prevailing market interest rate for similar non-convertible instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue consists of product sale revenue, franchise revenue, inside sales revenue and consulting revenue. Revenue is recognized at the point in which the performance obligation under the terms of a contract with the customer have been satisfied and control has transferred. In the case of product sale revenue, the Company’s performance obligation is typically defined as the accepted order with the customer which requires the Company to deliver the requested products at agreed upon prices at the time and location of the customer’s choice. The Company satisfies its performance obligation and transfers control to the customer upon customer’s receipt of the product. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period the revenue is recognized. Franchise revenues include initial franchise fees earned on execution of a franchise agreement, royalty fees and advertising revenue are earned based on a percentage of the franchisee’s gross sales each month. All franchise revenues are recognized as revenue as earned. The revenue recorded is presented net of sales and other taxes the Company collects on behalf of governmental authorities. Amounts received from customers in advance of revenue recognition are recorded as contract liabilities. The Company's customer contracts do not contain a significant financing component.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Inventories and cost of sales

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

c) Financial instruments

Financial assets

Initial recognition and measurement
The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. Financial assets are initially recognized at fair value plus transaction costs directly attributable to the asset, except for transaction costs for financial assets measured at fair value through profit or loss which are expensed as incurred.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgment.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

Financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value included in other comprehensive income.

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

In relation to the impairment of financial assets, IFRS requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data, comprehensive income or loss.

The Company's financial instruments are accounted for as follows:

Financial Asset	
Cash	FVTPL
Accounts receivable and other receivable	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Line of credit	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost
Convertible debt	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted loss per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if potentially dilutive instruments were converted or exercised. If these computations prove to be antidilutive, diluted loss per share is the same as basic loss per share.

Anti-dilutive securities include the convertible debentures and warrants (notes 13 and 18).

e) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

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

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

Deferred tax

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

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

f) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Where an item of equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of equipment and depreciated accordingly. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Property and equipment is depreciated over its estimated useful life. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life. The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

Class	Useful Life
Computer equipment	3 years
Equipment	3 years
Leased right of use assets	Lease term
Vehicles	15 years

g) Impairment of long-lived assets

The carrying amount of the Company’s non-financial assets (which include property and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset’s fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

h) Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- 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;
- 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 subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

The ROU assets are presented within "Right-of-use asset" and the lease liabilities are presented in "Lease liability" on the consolidated statements of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a remaining lease term of 12 months or less and leases of low-value assets.

i) Foreign exchange

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which has been determined to be the Canadian dollar for both the Company and its subsidiary.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transaction and balances

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. The resulting foreign exchange gains or losses are recorded in profit or loss.

j) Government assistance

Government grants are recognized when there is reasonable assurance that the Company has complied with the conditions of the grant. Such grants are accounted for as income on a systemic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, price risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash as of May 31, 2023, in the amount of $2,888 (May 31, 2022 - $107,633), in order to meet short-term liabilities of $4,520,834 (2022 - $2,209,973). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities. The Company's accounts payable and accrued liabilities are due within 90 days of May 31, 2023.

The amounts disclosed in the table are the contractual undiscounted payments as of May 31, 2023:

	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	1,896,609	-	-	-	1,896,609
Line of credit	62,688	-	-	-	62,688
Convertible debentures	1,867,418	-	-	-	1,867,418
Lease contract liabilities	58,477	116,558	-	-	175,035
Loans payable	530,601	177,365	106,248	6,302	820,516
	4,415,793	293,923	106,248	6,302	4,822,266

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

	Less than one year	One to two years	Two to three years	More than three years	Total
Accounts payable and accrued liabilities	895,207	-	-	-	895,207
Line of credit	81,660	-	-	-	81,660
Convertible debentures	-	-	-	-	-
Lease contract liabilities	56,727	118,453	56,582	-	231,762
Loans payable	488,874	64,502	55,898	24,793	634,067
	1,522,468	182,955	112,480	24,793	1,842,696

The convertible debentures included in the table above automatically converts into common shares of the Company upon successful completion of an Initial Public Offering ("IPO") (see Note 13 for additional information on the conversion).

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, and accounts receivable. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. During the year ended May 31, 2023, the Company incurred $46,050 in bad debt expense (2022 - $16,262).

The following table provides disclosures about credit risk exposure and expected credit losses on individual trade and other receivables as at:

May 31, 2023

	Aging Bucket					
	Current	**Overdue 1-30 days**	**Overdue 31-60 days**	**Overdue 61-90 days**	**Overdue 91+ days**	**Total**
Gross carrying amount	36,444	13,328	11,591	11,661	202,057	275,081
Loss allowance	(1,728)	(1,264)	(1,648)	(2,211)	(47,890)	(54,741)
Net	34,716	12,064	9,943	9,450	154,167	220,340
ECL rate	5%	10%	14%	19%	24%	20%

May 31, 2022

	Aging Bucket					
	Current	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91+ days	Total
Gross carrying amount	27,839	42,987	54,176	7,216	99,847	232,065
Loss allowance	-	-	(139)	(352)	(46,553)	(47,044)
Net	27,839	42,987	54,037	6,864	53,294	185,021
ECL rate	Nil%	Nil%	Nil%	5%	47%	20%

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

The continuity of expected credit losses is summarized in the table below:

		May 31, 2023		May 31, 2022
Balance, beginning	$	47,044	$	30,782
Additions to expected credit loss allowance recognized during the period /year		7,697		16,262
Ending expected credit losses	**$**	**54,741**	**$**	**47,044**

Foreign exchange rate risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A portion of the Company's transactions occur in US dollars; therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its US dollars denominated trade receivables, accounts payable and accrued liabilities. A change of 1% in the U.S./CDN exchange rate will have immaterial impact on the net loss.

The balances held in USD are summarized below:

		May 31, 2023		May 31, 2022
Cash	$	63	$	84,887
Accounts receivable		32,907		14,722
Accounts payable and accrued liabilities		(81,076)		(59,550)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loans. The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The Company considers its capital structure to consist of shareholders' deficiency, line of credit, loans payable, and convertible debentures. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended May 31, 2022.

(Expressed in Canadian dollars)

5. ACCOUNTS AND OTHER RECEIVABLE

		May 31, 2023		May 31, 2022
Accounts receivable	$	181,987	$	185,021
Royalty and franchise fee receivable		22,432		-
Sales taxes receivable		290,243		-
	$	**494,662**	**$**	**185,021**

6. PREPAID EXPENSES AND DEPOSITS

		May 31, 2023		May 31, 2022
Deferred share issuance costs	$	104,463	$	-
Prepaid advertising		5,825		-
Prepaid insurance		-		2,193
Prepaid technology		34,636		
Prepaid inventory		20,306		216,062
Prepaid services		8,045		-
Prepaid software subscription		-		442
Security deposit		14,647		12,747
Other deposits		1,561		3,250
	$	**189,483**	**$**	**234,694**
Current portion		149,144		234,694
Long-term portion		40,339		-

7. INVENTORY

		May 31, 2023		May 31, 2022
Finished goods	$	291,861	$	306,597
Raw materials		1,132,341		256,051
	$	**1,424,202**	**$**	**562,648**

During the year ended May 31, 2023, the cost of inventories recognized as an expense totalled $2,190,910 (2022 - $1,358,194). During the year ended May 31, 2023, Company did not impair any inventory (May 31, 2022 - $Nil).

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Equipment	Vehicles	Building Under Construction	Total
Balance, May 31, 2021	**$ 1,888**	**$ 3,078**	**$ -**	**$ -**	**$ 4,966**
Additions	2,419	50,013	-	66,329	118,761
Balance, May 31, 2022	**$ 4,307**	**$ 53,091**	**$ -**	**$ 66,329**	**$ 123,727**
Additions	3,133	45,434	141,759	268,403	458,729
Disposition	-	(29,434)	-	-	(29,434)
Balance, May 31, 2023	**$ 7,440**	**$ 69,091**	**$ 141,759**	**$ 334,732**	**$ 553,022**
Accumulated Depreciation					
Balance, May 31, 2021	**$ 523**	**$ 2,014**	**$ -**	**$ -**	**$ 2,537**
Depreciation	859	1,787	-	-	2,646
Balance, May 31, 2022	**$ 1,382**	**$ 3,801**	**$ -**	**$ -**	**$ 5,183**
Depreciation	2,009	18,736	6,364	-	27,109
Disposition	-	(4,001)	-	-	(4,001)
Balance, May 31, 2023	**$ 3,391**	**$ 18,536**	**$ 6,364**	**$ -**	**$ 28,291**
Carrying Amounts					
As of May 31, 2022	$ 2,925	$ 49,290	$ -	$ 66,329	$ 118,544
As of May 31, 2023	**$ 4,049**	**$ 50,555**	**$ 135,395**	**$ 334,732**	**$ 524,731**

Included in property and equipment, an equipment under lease with net book value of $35,410, the contractual lease payments on this lease are included in note 15.

9. LEASES

In March 2019, the Company entered into a lease agreement to rent two units in a building as its manufacturing facility and office space for a term of three years. Upon the commencement of the lease, the Company recognized a right-of-use asset of $57,219 and a lease liability of $54,519 using an incremental borrowing rate of 10%. The lease ended on June 30, 2021, without further renewal.

During the year ended May 31, 2022, the Company entered into another lease agreement for manufacturing and office space for a term of five years. Upon the commencement of the lease, the Company recognized a right-of-use asset of $221,820 and a lease liability of $221,820 using an incremental borrowing rate of 10%.

(Expressed in Canadian dollars)

9. LEASES (continued)

The below table shows the continuity of the right-of-use asset:

Right of use asset		
Cost:		
Balance, May 31, 2021	$	57,219
Addition		221,820
Balance, May 31, 2022	$	279,039
Addition		-
Balance as at May 31, 2023	**$**	**279,039**
Accumulated depreciation:		
Balance as at May 31, 2021	$	54,731
Depreciation		46,852
Balance as at May 31, 2022	$	101,583
Depreciation		44,364
Balance as at May 31, 2023	$	**145,947**
Net carrying value:		
At May 31, 2022	$	177,456
At May 31, 2023	**$**	**133,092**

The continuity of the Company's lease obligation is below:

Lease liabilities		
Balance, May 31, 2021		-
Addition		221,820
Interest		19,050
Payments		(50,397)
Balance, May 31, 2022	$	190,473
Addition		-
Interest		17,270
Payments		(56,727)
Balance, May 31, 2023	**$**	**151,016**
Current portion		45,419
Non-current portion	**$**	**105,597**

At May 31, 2023, the Company is committed to minimum lease payments as follows:

Maturity analysis		
Less than one year	$	58,477
One to five years		116,558
Total undiscounted lease liabilities	$	175,034
Unamortized interest		(24,018)
Total lease liabilities – discounted	**$**	**151,016**

(Expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payables and accrued liabilities consists of the following:

		May 31, 2023		May 31, 2022
Accounts payable	**$**	**1,551,185**	$	396,297
Accrued liabilities and other		**174,567**		201,649
Credit cards payable		**165,188**		297,261
Sales taxes payable		**5,669**		-
	$	**1,896,609**	$	895,207

11. LINE OF CREDIT

The Company has an operating line of credit with Meridian Credit Union of up to $100,000. The line of credit bears interest of prime plus 2.75% computed daily and compounded monthly. The line of credit is secured by a general security agreement and by guarantees and postponement of claims by the CEO. As of May 31, 2023, the line of credit balance is $62,688 (May 31, 2022 - $81,660).

(Expressed in Canadian dollars)

12. LOANS PAYABLE

A continuity of the Company's loans payable is set out below:

		BDC Loans (a, b, c and d)		CEBA Loans* (e)		Driven Financial (f, and g)		Shareholders' Loans (h)		Scotiabank Auto loans (i, and j)		American Express loan (k)		Meridian OneCap Loan (l)		Total
Balance, May 31, 2021	**$**	**200,983**	**$**	**34,390**	**$**	**-**		**72,367**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**307,740**
Addition		70,000		-		231,000		296,143		-		-		-		597,143
Interest		10,591		-		26,215		-		-		-		-		36,806
Accretion		-		3,432		-		-		-		-		-		3,432
Repayments		(39,242)		-		(218,352)		(98,416)		-		-		-		(356,010)
Balance, May 31, 2022	**$**	**242,332**	**$**	**37,822**	**$**	**38,863**	**$**	**270,094**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**589,111**
Addition		50,000		-		-		290,390		159,308		150,000		30,439		585,991
Interest		19,013		-		1,425		-		2,828		5,308		1,129		29,703
Accretion		2,411		2,178		-		-		-		-		-		4,587
Gain on debt		(16,320)		-		-		-		-		-		-		(16,320)
Repayments		(143,699)		-		(40,288)		(160,007)		(25,078)		(155,308)		(6,334)		(436,568)
Balance, May 31, 2023	**$**	**153,737**	**$**	**40,000**	**$**	**-**	**$**	**400,477**	**$**	**137,058**	**$**	**-**	**$**	**25,234**	**$**	**756,506**
Current portion		23,333		40,000		-		400,477		35,393		-		5,669		504,872
Non-current portion	$	130,404	$	-	$	-	$	-	$	101,665	$	-	$	19,565	$	251,634

***Canada Emergency Business Account**

12. LOANS PAYABLE (continued)

(a) On April 7, 2020, the Company entered into a loan facility for up to $135,000 with the Business Development Bank of Canada (“BDC”). The loan facility has an interest rate equal to BDC’s floating base rate, minus 1.75% and a maturity date of March 31, 2023. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company repaid $108,386 (May 31, 2022 - $30,443) of the loan and incurred interest of $4,536 (2022 - $3,443). As at May 31, 2023, the loan balance is $Nil (May 31, 2022 - $103,500).

(b) On April 19, 2021, the Company entered into a loan facility for up to $70,000 with the BDC. The loan facility has an interest rate equal to BDC’s floating base rate, plus 3.71% and a maturity date of March 1, 2028. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company repaid $18,694 (May 31, 2022 - $7,764) of the loan and incurred interest of $7,104 (2022 - $5,848). As at May 31, 2023, the loan balance is $56,389 (May 31, 2022 - $68,559).

(c) On March 19, 2022, the Company entered into a loan facility for up to $70,000 with the BDC. The loan facility has an interest rate equal to BDC’s floating base rate, plus 4.57% and a maturity date of August 18, 2028. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company repaid $16,969 (May 31, 2022 - $1,035) of the loan and incurred interest of $8,245 (2022 - $1,300). As at May 31, 2023, the loan balance is $61,250 (May 31, 2022 - $70,273).

(d) On October 19, 2022, the Company entered into a loan facility for up to $50,000 with the BDC. The loan facility does not bear interest and matures on September 17, 2028. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company repaid $Nil (May 31,2022 - $Nil) of the loan. The loan was fair valued at $33,680 using a discount rate of 12.00%, which was determined to be a market rate. The difference between the face value of the loan and the fair value of the loan of $16,320 was recognized as other income during the year ended May 31, 2023. The Company recognized an accretion expense in the amount of $2,418 for the year ended May 31, 2023. As at May 31, 2023, the loan balance is $36,098 (May 31, 2022 - $Nil).

(e) On April 20, 2020, the Company was approved and received a $40,000 loan under the Canada Emergency Business Account (“CEBA”) program. The loan is non-interest bearing and eligible for $10,000 forgiveness if repaid by January 18, 2024. Subsequent to year-end, the maturity date was extended to December 31, 2026 with the loan bearing interest at 5% per annum. The Company recorded the $10,000 forgivable portion as government grant income for the year ended May 31, 2020. As the loan was issued at below market rates, the initial fair value of the loan was determined to be $23,196, which was determined using an estimated effective interest rate of 10%. The difference between the face value of the loan and the fair value of the loan of $6,804 was recognized as government grant income during the year ended May 31, 2020.

On August 1, 2021, the Company received an additional $20,000 under the CEBA program. The additional loan is non-interest-bearing and repayable at any time without a penalty until January 18, 2024. Subsequent to year-end, the maturity date was extended to December 31, 2026 with the loan bearing interest at 5% per annum. The Company has recognized the $10,000 loan forgiveness as government grant income during the year ended May 31, 2021. As the loan was issued at below market rates, the initial fair value of the loan was determined to be $8,282, which was determined using an estimated effective interest rate of 10%. The difference between the face value of the loan and the fair value of the loan of $11,718 was recognized as government grant income during the year ended May 31, 2021. During the year ended May 31, 2023, the Company recorded accretion expense of $2,169 (2022 - $3,432) on the loan. As at May 31, 2023, the carrying value of the loan was $40,001 (May 31, 2022 - $37,822).

12. LOANS PAYABLE (continued)

(f) On September 9, 2021, the Company entered into a loan agreement for $150,000 with the Driven Financial. Under the terms of the agreement the Company is required to make weekly blended payments of $4,308, the loan has an effective interest rate of 10.91% and the cost of borrowing is a fixed amount of interest for the entire term. During the year ended May 31, 2023, the Company repaid $8,567 (May 31, 2022 - $159,384) of the loan and incurred interest of $73 (2022 - $17,877). As of May 31, 2023, the loan balance is $Nil (May 31, 2022 - $8,493).

(g) On November 18, 2021, the Company entered into a loan agreement for $81,000 with the Driven Financial. Under the terms of the agreement the Company is required to make weekly blended payments of $4,536, the loan has an effective interest rate of 7.24% and the cost of borrowing is a fixed amount of interest for the entire term. During the year ended May 31, 2023, the Company repaid $31,722 (May 31, 2022 - $58,968) of the loan and incurred interest of $1,352 (2022 - $8,338). As at May 31, 2023, the loan balance is $Nil (May 31, 2022 - $30,370).

(h) From time to time, the Company receives loans from the shareholders of the Company. The loans are non-interest-bearing, unsecured and due on demand. During the year ended May 31, 2023, the Company received shareholders' loans of $290,390 (May 31, 2022 - $296,143). As of May 31, 2023, the shareholders' loans totaled $400,477 (May 31, 2022 – $270,094) (note 19). The shareholders' loan includes mortgage proceeds personally received by the shareholder and transferred to the Company. The proceeds were for the construction of the new warehouse. The mortgage is between the lender and the shareholder, and the Company is the guarantor for this mortgage. The total proceeds from the mortgage were $300,000, of which $294,507 was transferred to the Company after legal proceeds of $5,493 were paid upon closing. The loan is repayable by December 15, 2026.

(i) On October 17, 2022, the Company entered into an auto loan agreement for $93,788 with Scotiabank. The loan bears interest of 4.60% annually and a maturity date of October 17, 2026. The loan is secured against the vehicle purchased. During the year ended May 31, 2023, the Company repaid $15,000 (May 31, 2022 - $Nil) of the loan and $2,373 in interest (2022 - $Nil). As of May 31, 2023, the loan balance is $81,161 (May 31, 2022 - $Nil).

(j) On August 26, 2022, the Company entered into an auto loan agreement for $65,520 with Scotiabank. The loan bears interest of 0.99% annually and a maturity date of August 26, 2027. The loan is secured against the vehicle purchased. During the year ended May 31, 2023, the Company repaid $10,077 (May 31, 2022 - $Nil) of the loan and $455 in interest (May 31, 2022 - $Nil). As of May 31, 2023, the loan balance is $55,898 (May 31, 2022 - $Nil).

(k) On November 21, 2022, the Company entered into a loan agreement for $150,000 with American Express. The loan bears interest of 13.5% annually and a maturity date of May 22, 2023. The loan is personally guaranteed by the CEO of the Company. During the year ended May 31, 2023, the Company repaid $155,308 (May 31, 2022 - $Nil) of the loan and incurred interest of $5,308 (2022 - $Nil). As of May 31, 2023, the loan balance is $Nil (May 31, 2022 - $Nil).

(l) On September 15, 2022, the Company entered into a loan agreement for $30,439 with Meridian OneCap to purchase equipment. The loan bears interest of 5.474% annually and a maturity date as of September 27, 2027. The loan is secured by the equipment purchased. During the year ended May 31, 2023, the Company repaid $6,334 (May 31, 2022 - $Nil) of the loan and incurred interest of $1,129 (2022 - $Nil). As of May 31, 2023, the loan balance is $25,234 (May 31, 2022 - $Nil).

13. CONVERTIBLE DEBTENTURES

$328,500 Convertible Debenture Financing

On July 27, 2022, the Company closed a financing of non-transferable unsecured convertible debentures of $328,500. The debentures bear no interest and are payable two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the preliminary prospectus, but does not complete an initial public offering ("IPO") for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the preliminary prospectus then:

- the maturity date will automatically be extended to five years from the closing date and
- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

If both events occur then the debentures will accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the prepayment. The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest will accrue on the debenture.

If the Company completes a going public transaction, the principal amount will automatically be converted into common shares of the Company at a price of $0.02 per share on either the date the shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) in the amount of $291,216 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of $37,284 was allocated to equity (conversion feature). The issuance costs of $12,578 was prorated and allocated to convertible debenture and equity in the amount of $11,230 and $1,348 respectively. The convertible debenture was amortized at an effective interest rate of 15.13%. The Company recognized $37,861 in accretion expense during the year ended May 31, 2023.

$1,170,000 Convertible Debenture Financing

On August 3, 2022 the Company closed a brokered private placement of $1,170,000 non-transferable unsecured convertible debentures of the Company. The debentures will bear no interest and are payable to the agent on behalf of the subscribers two years from the closing date. If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the Preliminary Prospectus, but does not complete an initial public offering for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and
- the debentures will bear interest at the prime rate, subject to the Company's prepayment right

13. CONVERTIBLE DEBTENTURES (continued)

The preliminary long-form prospectus was filed on April 14, 2023; therefore, no interest will accrue on the debenture.

In consideration for the Agent's services, the Company paid the agent:

- A cash commission equal to 4.0% of the gross proceeds; and
- Compensation warrants equal to 4.0% of the principal amount of debentures issued. The warrants will be exercisable into common shares of the Company at a price of $0.20 per share for a period of 24 months from the closing date

Pursuant to the August 3, 2022 engagement letter, the agent will also act as sole and exclusive agent for the Company's IPO of a minimum of 12,500,000 units at a price of $0.40 per unit and a maximum if up to 15,000,000 units for gross proceeds of a minimum of $5,000,000 and a maximum of up to $6,000,000. As consideration the Agent will receive consideration of:

- Cash commission of 8.0% of the gross proceeds received by the Company from the sale of units (including those issued pursuant to the exercise of the Over-Allotment Option and excluding any units sold to President's list subscribers), provided that the IPO cash commission shall be reduced to 4.0% of the gross proceeds received by the Company from the sale of units to President's List Subscribers

- Compensation warrants equal to 8.0% of the principal amount of units issued pursuant to the IPO (including those issued pursuant to the exercise of the over-allotment option and excluding any units sold to President's list subscribers) provided that the number of IPO Agent's Warrants shall be reduced to 4.0% of the Principal Amount of Units sold to President's List subscribers. The warrants will be exercisable into Units of the Company at a price of $0.40 per unit for a period of 24 months from the closing date of the IPO.

- A work fee in the amount of $45,000 (plus GST) for providing corporate finance services in connection with the offering and the IPO offering payable to the Agent from the proceeds of the IPO Offering on closing of the IPO

The Agent has the option to purchase or sell up to an additional 15% units, on the same terms and conditions as the IPO, which will be exercisable by giving written notice to the Company at any time up to 48 hours prior to closing. The Company is entitled to designate to the Presidents List certain subscribers to be included in the Brokered Offering and certain subscribers to be included in the IPO Offering for up to $250,000 Units.

$458,500 Convertible Debenture Financing

On August 18, 2022, the Company approved additional non-brokered private placement of non-transferrable unsecured convertible debentures for gross proceeds of up to $458,500. The Debentures will bear no interest and are re-payable two years from the closing date of the offering or 180 days from the date the Company receives a receipt for the preliminary prospectus.

If the Company fails to file a preliminary long form prospectus in connection with a going public transaction one-year from the closing date, the debentures will accrue interest at the rate of 10% per annum, payable on a semi-annual basis. If the Company files the Preliminary Prospectus, but does not complete an initial public offering for minimum gross proceeds of $5,000,000 within 180 days from the date the Company receives a receipt from applicable securities commissions for the Preliminary Prospectus then:

- the maturity date will automatically be extended to five years from the Closing Date and
- the debentures will bear interest at the prime rate, subject to the Company's Prepayment right

13. CONVERTIBLE DEBTENTURES (continued)

Upon initial recognition, the convertible debentures were presented as a liability and the embedded conversion feature have been presented as equity as the fixed-for-fixed criteria is met. The fair value of the convertible debentures (host debt) in the amount of $1,454,018 was measured using a discount rate of 12%, which was determined to be a market rate for similar unsecured debt without the conversion feature. The residual amount of $174,482 was allocated to equity (conversion feature). The issuance costs of $174,359 was prorated and allocated to convertible debenture and equity in the amount of $155,678 and $18,681 respectively. The issuance costs included the value of agents' warrants of $27,690, which was determined using the Black-Scholes pricing model with the following inputs and assumptions: Stock price - $.20; Exercise price - $.20; Dividend yield - $Nil; Expected volatility – 124.91%; Risk free interest rate 3.37% and expected life of 2 years.

The convertible debenture was amortized at an effective interest rate of 22.86%. The Company recognized $251,231 in accretion expense during the year ended May 31, 2023.

If both events occur then the debentures will accrue interest for the first two years at a penalty rate of 10% per annum until the earlier of the conversion date and the date all of the principal amount has been repaid, subject to the Prepayment. If the Company completes a going public transaction, the principal amount will automatically be converted into units of the Company at a price of $0.20 per unit on either the date the Shares are listed on a recognized stock exchange in Canada or United States or a date that is within 10 business days (before or after) the listing date, subject to any applicable stock exchange acceptance and securities law.

Each debenture unit will be comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each debenture warrant is exercisable into one common share at $0.60 per debenture warrant share for a period of two years from the conversion date, subject to acceleration, such that if the daily volume weighted average trading price of the Shares exceeds $0.80 on each of those 15 consecutive days, then the Warrants will expire in 30 days following notice.

The debenture units issuable upon conversion (including all underlying securities) will be subject to voluntary resale restrictions as follows:

- 10% of the debenture units (including all underlying securities) released on the listing date;
- 40% of the debenture units (including all underlying securities) released six months after the listing date; and
- 50% of the debenture units (including all underlying securities) released twelve months after the listing date;

Shares issuable upon conversion will be subject to voluntary resale restrictions as follows:

- 25% of the Shares released on the listing date;
- 25% of the Shares released four months after the listing date;
- 25% of the Shares released eight months after the listing date; and
- 25% of the Shares released twelve months after the listing date;

During the year ended May 31, 2023, the Company recorded a deferred tax asset of $56,118 against the conversion option (note 19).

14. REVENUE

Disaggregation of revenue from contracts with customers

The Company generates revenue from selling portable battery systems and customized energy solutions and its newly formed franchise business. The following table presents a disaggregation of revenue by source:

(Expressed in Canadian dollars)

14. REVENUE (continued)

		May 31, 2023		May 31, 2022
Royalty revenue	$	**15,533**	$	-
Advertising revenue		**12,944**		-
Franchise fee revenue		**7,336**		-
Other revenue		**1,249**		-
Franchise revenue		**37,062**		**-**
Product and installation sales		**3,262,130**		1,832,373
Consulting and other revenue		**2,010**		5,607
Total	**$**	**3,301,202**	**$**	1,837,980

Revenue is generated in two geographical markets, being Canada and the United States.

The following table presents a disaggregation of revenue by geographic markets:

		May 31, 2023		May 31, 2022
Canada	$	**2,669,478**	$	1,728,661
United States		**645,724**		109,319
Total	**$**	**3,315,202**	**$**	1,837,980

The Company provides either a 6-month commercial or a 12-month standard warranty and a 30-day return period for products shipped. As at May 31, 2023, the Company has recorded a provision of $32,678 (May 31, 2022 - $18,180) in expected replacement parts and director labour on future warranty claims and expected returns.

Contract assets and liabilities

As at May 31, 2023 and May 31, 2022 the Company had the following contract assets:

		May 31, 2023		May 31, 2022
Contract assets - Contract costs*	**$**	**22,419**	**$**	**-**

*The Company incurs various costs to obtain contracts, in the form of sales commissions payable upon securing new franchisees and sign-up bonuses payable upon the receipt of payment of the initial franchise fee.

The continuity of contract liabilities is summarized in the table below:

		May 31, 2023		May 31, 2022
Balance, beginning	**$**	**638,025**	**$**	67,679
Additions to contract liabilities		130,789		638,025
Revenue earned during the year		(602,920)		(67,679)
Balance, ending	**$**	**165,894**	**$**	638,025
Current portion		111,150		638,025
Non-current portion	**$**	**54,745**	**$**	**-**

(Expressed in Canadian dollars)

The current portion of contract liabilities consist mainly of consideration received from customers for orders received and paid for but not yet delivered. Non-current portion of contract liabilities consists of franchise fees received in advance, which will be recognized in revenue over the period of the contract. The amounts deferred include the unrecognized portion of the initial franchise fee related to access to franchise right.

15. COST OF SALES

Cost of sales for the year ended May 31, 2023 and 2022 is summarized in the table below.

		May 31, 2023		May 31, 2022
Parts, materials and direct labour	**$**	**2,039,178**	**$**	1,301,515
Shipping		**151,732**		56,679
Total	**$**	**2,190,910**	**$**	1,358,194

16. GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of general and administrative expenses for the year ended May 31, 2023 and 2022.

		May 31, 2023		May 31, 2022
Automotive	**$**	**17,581**	$	12,352
Bad debts		**46,050**		16,262
Bank and transaction charges		**83,595**		41,364
Brokerage fees		**29,947**		34,622
Delivery		**58,393**		43,669
Depreciation		**71,473**		49,498
Dues and subscriptions		**10,109**		1,599
Consulting		**102,887**		-
Education and training		**5,141**		14,435
Insurance		**26,565**		12,187
Meal and entertainment		**17,684**		7,886
Office		**66,009**		43,873
Rent (1)		**34,989**		12,667
Repairs and maintenance		**5,179**		15,849
Telephone and internet		**33,086**		27,995
Utilities		**3,864**		8,375
Travel		**22,651**		7,477
Total	**$**	**635,203**	**$**	350,110

(1) Included in rent expense are variable maintenance and utility costs for the Company’s office and manufacturing facilities.

(Expressed in Canadian dollars)

17. GOVERNMENT ASSISTANCE

		May 31, 2023		May 31, 2022
Canada Digital Adoption Program Grant	$	**15,000**	$	-
CanExport SME's Program ("CanExport")		**35,000**		-
Canada-Ontario job grant ("COJG")		**4,200**		17,008
Colleges and Institutes Canada Career Launcher ("Career Launcher")		**25,000**		-
National research council Industrial Research Assistance Program ("NRC IRAP")		**8,441**		41,570
National research council youth employment program ("NRC YEP")		**-**		25,005
Social development Canada- Canada summer jobs program		**-**		7,478
Total	$	**87,641**	$	91,061

During the year ended May 31, 2023, the Company recognized $15,000 (2022 - $Nil), in Canada Digital Adoption Grant Program as government assistance. The Canada Digital Adoption Grant Program provides up to $15,000 for for-profit companies or sole proprietorships to boost their business technology through hiring a digital advisor.

During the year ended May 31, 2023, the Company recognized $35,000 (2022 - $Nil), received from CanExport as government assistance. CanExport's SME's Program is designed to provide direct financial assistance to small and medium-sized enterprises seeking to develop new export opportunities and markets, especially in high-growth emerging markets. The Company applied for the grant to support expansion into the Southwestern US by identifying potential representatives or agents and meet potential clients. During the year ended May 31, 2023, the Company received $35,000 from CanExport for the project which ends on March 31, 2023.

During the year ended May 31, 2023, the Company recognized $4,200 (2022 - $17,008), in COJG as government assistance. The COJG supports eligible training costs up to a maximum per trainee. Under the terms of the COJG the Company qualifies as a small employer and can receive the following funding:

- Contributions of 5/6th of eligible training costs up to a maximum of $10,000 per person
- New hires (unemployed individuals) or previously employed persons who were laid-off and are being re-hired in a different position, may be eligible for 100% funding up to $15,000 per trainee. New hires are defined as any person(s) currently unemployed, who are not yet working with the employer but the employer plans on hiring them as a result of the training.

During the year ended May 31, 2023, the Company recognized $25,000 (2022 - $Nil), received from the Career Launcher Program. The Program connects employers with skilled students and grads by providing up to $35,000 towards an intern's salary and training expenses, in the form of a wage subsidy, the Company is eligible for $25,000.

During the year ended May 31, 2023, the Company recognized $8,441 (2022 - $41,570), respectively, in NRC IRAP as government assistance. The NRC IRAP provides advice, connections, and funding to help Canadian small and medium-sized businesses increase their innovation capacity and take ideas to market. During the year ended May 31, 2023 and 2022, the Company received funding for the development of a new product.

During the year ended May 31, 2023, the Company recognized $Nil (2022 - $25,005), respectively, in NRC YEP as government assistance. The NCR YEP provides financials assistance to small or medium sized businesses (500 or fewer employees) that partner with NRC IRAP so they can hire young talent to contribute to their innovation needs.

17. GOVERNMENT ASSISTANCE (continued)

During the year ended May 31, 2023, the Company recognized $Nil (2022 - $7,478), respectively, in government assistance in connection with funds received from Social Development Canada's Canada Summer Jobs program. The program provides wage subsidies to employers from not-for-profit organizations, the public sector, and private sector organizations with 50 or fewer full-time employees, to create quality summer work experiences for young people aged 15 to 30 years.

18. SHARE CAPITAL AND RESERVES

Authorized capital

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

Issued share capital

As of May 31, 2023, the Company had 32,100,000 (May 31, 2022 – 26,778,523) shares outstanding.

During the year ended May 31, 2023:

On July 25, 2022, the Company issued 221,477 shares to an employee as payment of commissions totalling $37,752 (May 31, 2022 - $Nil).

On February 9, 2023, the Company closed a non-brokered private placement. The Company issued 1,012,667 common shares of the Company at a price of $0.30 per share for gross proceeds of $303,800. In connection with the private placement, the Company paid finders' fees of $31,380 and issued an aggregate of 37,840 warrants. Each finders' warrant is exercisable for a period of two years from the date of issuance at an exercise price of $0.30 per share. The fair value of the compensation options was determined to be $6,267 using the Black-Scholes Option Pricing Model using the following assumptions: risk-free rate of 3.98%, expected life of 2 years, volatility factor of 103.05% and dividend yield of Nil. In connection with the closing of the private placement, the Company incurred an additional $29,207 share issuance costs.

On March 24, 2023, the Company closed a brokered private placement. The Company issued 1,999,664 common shares of the Company at a price of $0.30 per share for gross proceeds of $599,899. The Company also closed a non-brokered private placement, where the Company issued 2,087,669 common shares of the Company at a price of $0.30 per share for gross proceeds of $626,301. In connection with the private placement, the Company paid finders' fees of $36,810 and issued an aggregate of 89,166 warrants. Each finders' warrant is exercisable for a period of two years from the date of issuance at an exercise price of $0.30 per share. The fair value of the compensation options was determined to be $14,666 using the Black-Scholes Option Pricing Model using the following assumptions: risk-free rate of 3.42%, expected life of 2 years, volatility factor of 102.74% and dividend yield of Nil. In connection with the closing of the private placement, the Company incurred an additional $22,683 share issuance costs.

During the year ended May 31, 2022, the Company did not issue any shares.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

(Expressed in Canadian dollars)

18. SHARE CAPITAL AND RESERVES (continued)

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2022	**-**	**$ -**
Granted	12,348,006	0.01
Expired	-	-
Balance, May 31, 2023	**12,348,006**	**$ 0.01**

As at May 31, 2023, the following warrants were exercisable:

Outstanding and Exercisable Number of Warrants	Exercise Price	Expiry Date
213,000	$0.20	August 19, 2024
8,000	$0.20	August 19, 2024
37,840	$0.30	February 9, 2025
258,840		

The Company granted 213,000 agents' warrants during the year ended May 31, 2023, pursuant to the issuance of convertible debentures (Note 13). A value of $27,690 was assigned to the warrants using the Black-Scholes option pricing model with the following inputs: Stock price - $.20; Exercise price - $.20; Dividend yield - $Nil; Expected volatility – 124.91%; Risk free interest rate 3.37% and expected life of 2 years.

As of May 31, 2023, the weighted average remaining contractual life of outstanding warrants, excluding performance warrants is 1.43 years (May 31, 2022 – Nil).

On April 3, 2023, the Company issued 9,000,000 performance warrants ("Management Performance Warrants") as an incentive to key management personnel. The Management Performance Warrants are exercisable for one Common Share upon attainment of certain milestone events, at an exercise price of $0.000001 per share in three equal tranches upon attainment of the following milestones: 3,000,000 Management Performance Warrants vest and are exercisable upon the Company generating $5,000,000 in revenue within 12 months following the Listing Date; 3,000,000 Management Performance Warrants vest and are exercisable upon the Company generating $10,000,000 in revenue within 24 months following the Listing Date (the "$10 Million Revenue Event"); 3,000,000 Management Performance Warrants vest and are exercisable upon the Company generating $30,000,000 in revenue within 36 months following the Listing Date (the "$30 Million Revenue Event"). "Revenue" in each Exercise Event is as determined with reference to the Company's most recent interim and/or annual financial statements, as applicable. Upon vesting, the Management Performance Warrants will be exercisable for one (1) year from the Exercise Event ("Exercise Period").

During the year ended May 31, 2023, the Company recorded $193,544 as share-based payment expense in relation to the Management Performance Warrants.

(Expressed in Canadian dollars)

18. SHARE CAPITAL AND RESERVES (continued)

On April 3, 2023, the Company issued 3,000,000 non-transferable performance warrants ("Personnel Performance Warrants") as an incentive to personnel. The Personnel Performance Warrants are exercisable at an exercise price of $0.000001 for one Common Share upon attainment of the following milestone events: 3,000,000 Personnel Performance Warrants are exercisable upon the Company completing equity and/or debt financings for minimum aggregate gross proceeds of $5,000,000 within 24 months following the Listing Date. The Personnel Performance Warrants and their underlying Common Shares are subject to voluntary resale restrictions. Upon vesting, the Personnel Performance Warrants will be exercisable for one (1) year.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for year ended May 31, 2023 and 2022 are summarized as follows:

		May 31, 2023		May 31, 2022
Salaries and benefits	**$**	**50,810**	**$**	118,022
Share-based compensation		**193,544**		-
Total	**$**	**244,354**	**$**	118,022

As of May 31, 2023, loans payable included $196,244 (May 31, 2022 - $Nil) due to the CEO and a shareholder of the Company (Note 5). The loan is non-interest-bearing, unsecured and due on demand.

As of May 31, 2023, loans payable included $204,233 (May 31, 2022 - $270,094) due to a shareholders of the Company (Note 12). The loan is non-interest-bearing, unsecured and due on demand.

As of May 31, 2023, convertible debentures to be issued includes $Nil (May 31, 2022 - $65,000) owing to a Company controlled by the CFO.

As of May 31, 2023, accounts payable included $672,336 (May 31, 2022 - $Nil) owing to a company controlled by the CFO. The Company incurred a total of $739,407 from the company controlled by the CFO for accounting, audit preparation, and audit support services for the year ended May 31, 2023. In addition, the company controlled by the CFO has also provided CFO services, transaction advisory services and consulting services related to Go Public transaction during this period. The fees were included in professional services line item.

(Expressed in Canadian dollars)

20. OTHER INCOME

Other income for the year ended May 31, 2023 and 2022 is summarized in the table below.

		May 31, 2023		May 31, 2022
Shipping income	$	**5,409**	$	-
Grant income		**90,000**		2,500
Interest income		**-**		11,263
Other		**43,516**		6,048
Total	$	**138,925**	$	19,811

21. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to income (loss) from operations before income taxes, shown as follows:

		May 31, 2023		May 31, 2022
Loss before taxes for the year	$	**(2,910,316)**	$	(876,698)
Canadian federal and provincial income tax rates		**26.50%**		26.50%
Expected income tax recovery based on the above rates	$	**(771,234)**	$	(232,325)
Permanent differences		**52,431**		962
Effect of deductible temporary differences not recognized		**662,685**		231,363
Income tax recovery	$	**(56,118)**	$	-

For the year ended May 31, 2023, the company recognized a total income tax recovery of $56,118. The income tax recovery consists of the following:

		May 31, 2023		May 31, 2022
Current tax expense (recovery)	$	**-**	$	-
Deferred tax expense (recovery)		**(56,118)**		-
Income tax recovery	$	**(56,118)**	$	-

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have not been recognized for accounting purposes:

(Expressed in Canadian dollars)

21. INCOME TAXES (continued)

		May 31, 2023		May 31, 2022
Deferred tax asset	**$**	**68,000**	$	52,903
Deferred tax liability		**(68,000)**		(52,903)
Net deferred tax asset (liability)	**$**	**-**	$	-

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which have not been recognized during the year are as follows:

		May 31, 2022		Recognized in profit and loss		Recognized in Equity		**May 31, 2023**
Deferred tax asset								
Non-capital losses	$	5,877	$	27,123	$	-	**$**	**33,000**
Lease liability		47,026		(12,026)		-		**35,000**
	$	52,903	$	15,097	$	-	**$**	**68,000**
Deferred tax liability								
Loans payable	$	(5,877)	$	(3,123)	$	-	**$**	**(9,000)**
Right of use asset		(47,026)		12,026		-		**(35,000)**
Convertible debt		-		32,118		(56,118)		**(24,000)**
		(52,903)		41,021		(56,118)		**(68,000)**
Net deferred tax liability	$	-	$	56,118	$	(56,118)	**$**	**-**

Gross temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

		May 31, 2023		May 31, 2022
Non-capital losses	**$**	**3,084,759**	$	1,072,939
Property and equipment		**46,039**		22,406
Accounts receivable		**54,741**		47,044
Return and warranty liability		**32,678**		18,180
Lease liability		**17,925**		13,017
Share issuance costs		**168,397**		-
Total	**$**	**3,404,539**	$	1,173,586

As at May 31, 2023, the Company had non capital losses of approximately $3,084,759 (May 31, 2022 - $Nil) that may be available to offset future income for income tax purposes, which expire in 2043.

Due to the uncertainty of realization of these deductible temporary differences, the tax benefit is not reflected in the consolidated financial statements.

22. SUBSEQUENT EVENTS

On August 16, 2023, the Company issued 535 secured convertible debentures (the “Debentures”) to an arm’s length party, for an aggregate purchase price of $535,000 in order to provide funds for the Company’s operations prior to the close of the Company’s initial public offering. The Debentures will have the following terms: (i) each Debenture will consist of $1,111.11 principal amount for an aggregate original principal amount (the “Principal Amount”) of $594,444.44 (the “Loan”); (ii) the Principal Amount will not bear interest (except that the Principal Amount will bear interest at an additional rate of 25% per annum if an Event of Default occurs (as defined in the certificate representing the Debentures (the “Debenture Certificate”)); (iii) the Debentures will mature 12 months from the date of issuance; (iv) Each Debenture is convertible at the option of the Lender, in whole or in part, at any time while any principal or interest remains outstanding, into common shares of the Company (the “Debenture Shares”) at a price of $0.32 per Debenture Share (the “Conversion”).