KOIOS BEVERAGE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2022 and 2021

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Management's Responsibility

To the Shareholders of Koios Beverage Corp:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("**IFRS**") and for ensuring that all information in the management discussion and analysis is consistent with these consolidated financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors ("**Board**") is composed primarily of directors who are neither management nor employees of Koios Beverage Corp. and the Audit Committee is comprised of independent directors. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and with the external auditor. The Board is also responsible for recommending the appointment of the external auditor of Koios Beverage Corp.

Dale Matheson Carr-Hilton Labonte LLP, an independent firm of Chartered Professional Accountants, has been appointed to audit the consolidated financial statements and report directly to the audit committee; their report follows. The external auditor has full and free access to, and meets periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

/s/ "*Chris Miller*"
Chris Miller
Chief Executive Officer

Vancouver
January 11, 2023

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Koios Beverage Corp.

Opinion

We have audited the consolidated financial statements of Koios Beverage Corp. (the "**Company**"), which comprise the consolidated statements of financial position as at May 31, 2022 and 2021, and the consolidated statements of shareholders' equity, operations and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "**financial statements**").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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, 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 11, 2023

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(All Amounts are in US Dollars)

As at May 31,	**2022**	**2021**
ASSETS		
Cash	$ 1,313,440	$ 1,028,827
Accounts receivable (Note 4)	156,021	59,182
Inventory (Note 5)	542,804	166,574
Prepaid expenses	175,566	—
Loan receivable (Note 16)	105,276	100,192
	2,293,107	1,354,775
Investment in joint venture (Note 6)	86,225	45,260
Long-term prepaid expense	35,115	-
Equipment, vehicle and right-of-use assets (Note 7)	90,059	157,296
	$ 2,504,506	$ 1,557,331
LIABILITIES		
Line of credit (Note 8)	$ 79,632	$ —
Accounts payable and accrued liabilities (Note 9)	1,199,051	494,925
Short-term loan (Note 10)	14,786	15,739
Short-term lease liability (Note 11)	57,737	55,424
Vehicle loan (Note 12)	3,270	—
Convertible debenture (Note 13)	—	519,441
Due to Related Party (Note 16)	193,672	169,430
Provision for indemnity (Note 20)	25,072	26,689
	1,573,220	1,281,648
Long-term lease liability, non-current (Note 11)	16,625	60,898
Vehicle loan, non-current (Note 12)	-	7,798
	1,589,845	1,350,344
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	26,272,799	13,702,458
Obligation to issue shares (Note 14)	5,029,681	215,192
Contributed surplus (Note 15)	6,693,975	2,306,110
Accumulated other comprehensive income	(191,236)	(285,889)
Accumulated deficit	(36,890,558)	(15,730,884)
	914,661	206,987
	$ 2,504,506	$ 1,557,331

Nature of Organization (Note 1)
Commitments and Contingencies (Note 17)

Approved on behalf of the board of directors:

/s/ "*Chris Miller*"
Chris Miller, Director

/s/ "*Erik LeVang*"
Erik LeVang, Director

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in US Dollars)

	Number of Common Shares	Amount of Common Shares	Obligation to issue common shares	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
Balance, June 1, 2020	7,777,660	$ 13,137,986	$ 61,543	$ 1,219,062	$ (173,217)	$ (13,649,978)	$ 595,396
Shares issued for consulting	110,000	61,543	(61,543)	—	—	—	—
Shares to be issued for consulting services	—	—	215,192	—	—	—	215,192
Shares issued upon warrant exercised	795,807	502,929	—	—	—	—	502,929
Private placement	—	—	—	743,187	—	—	743,187
Share-based compensation	—	—	—	343,861	—	—	343,861
Other comprehensive loss	—	—	—	—	(112,672)	—	(112,672)
Comprehensive loss for the year	—	—	—	—	—	(2,080,906)	(2,080,906)
Balance, May 31, 2021	8,683,457	$ 13,702,458	$ 215,192	$ 2,306,110	$ (285,889)	$ (15,730,884)	$ 206,987
Balance, June 1, 2021	8,683,457	$ 13,702,458	$ 215,192	$ 2,306,110	$ (285,889)	$ (15,730,884)	$ 206,987
Shares issued for cash, net	27,443,000	2,015,875	—	—	—	—	2,015,875
Shares issued upon conversion of debenture	6,598,823	1,606,435	—	1,199,275	—	—	2,805,710
Shares issued for debt	172,662	50,220	—	—	—	—	50,220
Acquisition of Retox Beverage Corp.	15,000,000	5,550,307	—	4,263,654	—	—	9,813,961
Shares issued for consulting services	3,000,000	1,167,686	—	—	—	—	1,167,686
Shares issued upon warrant exercised	5,350,000	2,179,818	—	(1,532,330)	—	—	647,488
Obligation to issue shares	—	—	4,814,489	351,525	—	—	5,166,014
Share-based compensation	—	—	—	105,741	—	—	105,741
Other comprehensive loss	—	—	—	—	94,653	—	94,653
Comprehensive loss for the year	—	—	—	—	—	(21,159,674)	(21,159,674)
Balance, May 31, 2022	66,247,942	$ 26,272,799	$5,029,681	$ 6,693,975	$ (191,236)	$ (36,890,558)	$ 914,661

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(All Amounts are in US Dollars)

For the Years Ended May 31,	2022	2021
Product revenue	$ 1,200,983	$ 640,963
Cost of sales	(1,159,672)	(793,381)
	41,311	(152,418)
EXPENSES		
Corporate development	339,704	229,958
Freight and shipping	300,699	171,130
Consulting fees (Note 16)	1,306,506	646,425
Amortization (Note 7)	55,928	42,192
Filing and regulatory fees	10,035	38,714
Share of loss (income) of joint venture (Note 6)	(40,965)	4,247
Finance expense (Notes 11, 12, 13, 18)	243,587	71,391
Office expense	157,730	114,677
Professional fees	317,287	181,719
Insurance	80,094	39,498
Rent	45,502	39,664
Stock-based compensation (Note 15, 21)	16,253,401	343,861
	(19,069,508)	(1,923,476)
Operating loss	(19,028,197)	(2,075,894)
Other Items		
Foreign exchange loss	—	(4,749)
Loss on conversion of convertible debenture (note 13)	(2,131,477)	—
Lease termination loss	—	(263)
Net Loss	$(21,159,674)	$ (2,080,906)
Other comprehensive income (loss)		
Exchange differences related to presentation currency	94,653	(112,672)
Comprehensive Loss	$(21,065,021)	$ (2,193,578)
Net loss per common share		
Basic and Diluted	$ (1.00)	$ (0.27)
Weighted average number of common shares outstanding (Note 22)		
Basic and Diluted	20,960,561	8,072,628

KOIOS BEVERAGE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts are in US Dollars)

For the Years Ended May 31,	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ (21,159,674)	$ (2,080,906)
Non-cash expenses:		
Amortization	55,928	42,192
Interest accretion	225,609	71,391
Lease termination	—	263
Share of loss (income) from joint venture	(40,965)	4,247
Loss on refinancing of convertible debenture	2,131,477	—
Shares to be issued for services	—	215,192
Share-based compensation	16,253,401	343,861
Net change in operating assets and liabilities		
Accounts receivables	(96,839)	(17,721)
Inventory	(376,230)	(6,821)
Prepaid expenses	(210,681)	—
Due to related parties	24,242	98,959
Accounts payable and accrued liabilities	754,347	(51,793)
CASH FLOWS USED IN OPERATING ACTIVITIES	(2,439,385)	(1,381,136)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net	59,305	—
Convertible debenture	—	463,365
Loan receivable	—	(100,000)
Loan repayments	(4,528)	(187,623)
Lease repayments	(64,115)	(57,680)
Shared issued for cash, net	2,015,875	743,187
Shares issued upon warrants exercised	647,488	502,929
CASH FLOWS FROM FINANCING ACTIVITIES	2,654,025	1,364,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment	—	(49,507)
Equipment purchased	—	(9,454)
CASH FLOWS USED IN INVESTING ACTIVITIES	—	(58,961)
EFFECTS OF FOREIGN EXCHANGE ON CASH	69,973	(72,204)
NET DECREASE IN CASH	284,613	(148,133)
CASH – Beginning of the year	1,028,827	1,176,960
CASH – End of the year	$ 1,313,440	$ 1,028,827
SUPPLEMENTAL NON-CASH INFORMATION		
Shares issued on settlement of convertible debenture	2,805,710	-
Shares issued for debt	50,220	-
Taxes paid	-	-

1. Nature and Continuance of Operations

Koios Beverage Corp. (the "**Company**") was incorporated on November 13, 2002, under the *Business Corporations Act (*British Columbia*)*. On April 13, 2018, the Company completed a transaction with Koios Inc. (formerly Koios, LLC) ("**Koios**"), a company incorporated under the laws of the State of Colorado. Koios specializes in the business of producing, marketing and selling functional beverages.

The corporate registered and records offices of the Company are located at 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "**FIT**" and the United States OTC stock market under the symbol "**FITSF**".

Statement of compliance

These consolidated financial statements ("**Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Issues Committee ("**IFRIC**"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Going concern

These Financial Statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the year ended May 31, 2022, the Company incurred a comprehensive loss of $21,065,021 (May 31, 2021 - $2,193,578) had an accumulated deficit of $36,890,558 as at May 31, 2022 (May 31, 2021- $15,730,884) and had a working capital $719,887 (May 31, 2021 - $73,127). The Company anticipates that further losses will be incurred. The Company's ability to continue as a going concern and meeting its corporate objectives will require additional financing through debt or equity issuances, or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These Financial Statements do not include any adjustments relating to the recoverability, classification of recorded asset amounts, nor classification of liabilities that might be necessary should the Company be unable to continue its existence and these adjustments could be material.

Basis of consolidation

These Financial Statements include the accounts of the Company and its wholly owned subsidiaries. Control over subsidiaries exist when the Company has power, directly or indirectly, to govern the financial and operating policies of the subsidiary, so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Financial Statements

Basis of measurement

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Foreign currency
The Company's functional currency is the Canadian dollar. The functional currency of its subsidiaries is as follows:

Subsidiary Name	Functional Currency
Koios Inc.	US Dollar
Cannavated Beverage Co. (BC)	Canadian dollar
Cannavated Beverage Corp. (Nevada)	US Dollar
Retox Beverage Inc.	Canadian dollar

The presentation currency of the financial statements is the US Dollar. Monetary assets and liabilities of the subsidiaries denominated in currencies other than the US dollar are translated into US dollars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Revenues and expenses are translated at average rates throughout the reporting period. All differences are taken to other comprehensive loss.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents include cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Inventory
Inventory is valued at the lower of cost and net realizable value. The cost of inventory is calculated using the weighted average method and comprises all costs of purchase necessary to bring the goods to sale. Net realizable value represents the estimated selling price for products sold in the ordinary course of business less the estimated costs necessary to make the sale. Management uses the most reliable evidence available in determining the net realizable value of inventories. Actual selling prices may differ from estimates, based on market conditions at the time of sale. Allowances are made against obsolete or damaged inventory and charged to cost of sales. The reversal of any write-down of inventory arising from increase in the net realizable value is recognized as a reduction of cost of sales in the period in which the reversal occurred.

Provisions
Provisions for legal claims, where applicable, are recognized in other liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Property, and equipment
Property, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed using the percentage declined method follows:

Classification	Rate
Equipment	20%
Vehicles	30%
Right of use equipment	Lesser of term of lease and useful life
Right of use office space	Lessor of term lease and useful life

When assets are disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized within the Consolidated Statement of Operations and Comprehensive Loss. Maintenance and repairs are charged to expense as incurred. Significant expenditures, which increase productivity or extend the useful life of the asset, are capitalized.

Available for use is defined as the point at which the related property, and equipment is operational, including the possession of any requisite licenses. Depreciation commences at the point the assets are available for use.

Share Capital
Share capital, common shares and equity instruments are any contracts that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Warrants
The Corporation measures the fair value of warrants issued using the Black-Scholes Option-Pricing Model. The fair value of each warrant is estimated based on their respective issuance dates considering volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

Special warrants
The fair value of stock options granted is measured at grant date using the Black-Scholes Option Pricing Model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. At each reporting date, prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes Option Pricing Model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. At each reporting date, prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are expected to ultimately vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

Loss per share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. To compute diluted earnings per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the year or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the year. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("**FVTPL**"), at fair value through other comprehensive loss ("**FVTOCI**") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities under IFRS 9:

Financial Assets / Liabilities	Classification - IFRS 9
Cash	FVTPL
Accounts receivable	Amortized cost
Loan receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short-term loan	Amortized cost
Vehicle loan	Amortized cost
Convertible debenture	FVTPL
Due to related party	Amortized cost
Line of credit	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("**FVTOCI"**)

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

IFRS 15, Revenue from Contracts with Customers
IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services.

Product revenue is recognised once ownership of the products has transferred to the buyer, the amount of revenue is known and collection is reasonably assured. Consignment inventory sales are only recognised as revenue once the third party has sold the inventory and there are no obligation on the Company to take the product back.

IFRS 16, Leases
IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Equity Accounted Investments

Equity accounted investments are those entities in which the Company has significant influence but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial, and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

The Company holds a 50% interest in BevCreation LLC.

Future Accounting standards issued

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's Financial Statements

(Expressed in US Dollars)

3. Significant Accounting Policies, Judgements and Estimation Uncertainty

The preparation of these Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenue and expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the Financial Statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the Statement of Financial position date, that could result in material adjustments to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The provision of deferred tax is based on judgments in applying income tax laws and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The estimated value of the Company's provision of the indemnity to shareholders; and
- The valuation of the Company's securities issued to settle amounts payable;
- The valuation and measurement of stock-based compensation;
- The determination of whether the Company will continue as a going concern.
- The determination as to whether the Company has significant influence over an entity or a joint venture.
- Judgement whether an acquisition is a business combination or an asset acquisition.

4. Accounts Receivable

As at	May 31, 2022	May 31, 2021
Accounts receivable	$ 126,803	$ 25,569
Commodity tax receivable	29,218	33,613
	$ 156,021	$ 59,182

5. Inventory

As at	May 31, 2022	May 31, 2021
Raw materials	$ 378,090	$ 60,748
Finished Goods	164,714	105,826
	$ 542,804	$ 166,574

6. Investment in Joint Venture

On February 18, 2021, the Company together with Beauty Gourmet LLC, a woman's functional beverage Company, formed a subsidiary named BevCreation, LLC ("**BevCreation**"). BevCreation is a manufacturer of functional beverages and operates in Denver, Colorado. Pursuant to terms of the Operating Agreement ("**Operating Agreement**"), the Company owns 50% of BevCreation and has advanced cash to BevCreation. BevCreation will streamline the Company's canning processes and will improve the Company's supply chain efficiency.

Based on the terms of the Operating Agreement, management has determined that BevCreation meets the definition of a joint venture. Accordingly, the investment is accounted for using the equity method in these consolidated financial statements.

(Expressed in US Dollars)

6. Investment in Joint Venture (Continued)

Opening balance, May 31, 2020	$	—
Cash advanced		49,507
Share of losses from joint venture		(4,247)
Balance May 31, 2021		45,260
Share of profit from joint venture		40,965
Balance May 31, 2022	$	86,225

The following table summarizes the financial information of the Company's joint venture and reflects the amounts presented in the financial statements of BevCreation as at:

	May 31, 2022	May 31, 2021
Cash	$ 33,719	$ 14,046
Current assets	76,954	40,153
Long-term assets	246,249	221,979
Long-term liabilities	40,702	203,618
Depreciation	86,745	35,935

For the year ended May 31, 2022, BevCreation reported revenues of $647,561 (2021 - $111,316) and expenses of $565,631 (2021 - $119,809) resulting in a net income of $81,930 (2021 – loss of $8,493) on its financial statements.

7. Equipment, Vehicle and Right-of-Use

Cost	Equipment	Vehicle	Right-of-Use Equipment	Right-of-Use Office Space	Total
Balance, June 1, 2020	$ 17,641	$ 18,792	$ —	$ 33,662	$ 70,095
Addition	9,454	—	105,506	45,260	160,220
Disposal	—	—	—	(10,859)	(10,859)
Balance, May 31, 2021	27,095	18,792	105,506	68,063	219,546
Addition	—	—	—	—	—
Disposal	—	—	—	(68,083)	(68,083)
Balance, May 31, 2022	$ 27,095	$ 18,792	$ 105,506	$ —	$ 151,393

Accumulated Depreciation	Equipment	Vehicle	Right-of-Use Equipment	Right-of-Use Office Space	Total
Balance, June 1, 2021	$ —	$ 9,187	$ —	$ 10,781	$ 19,968
Depreciation	1,635	3,795	13,425	23,337	42,192
Disposal	—	—	—	—	—
Balance, May 31, 2021	1,635	12,982	13,425	34,118	62,160
Depreciation	4,192	1,743	27,357	22,636	55,928
Disposal	—	—	—	(56,754)	(56,754)
Balance, May 31, 2022	$ 5,827	$ 14,725	$ 40,782	$ —	$ 61,334

Net Book Value	Equipment	Vehicle	Right-of-Use Equipment	Right-of-Use Office Space	Total
May 31, 2021	$ 25,460	$ 5,810	$ 92,081	$ 33,945	$ 157,296
May 31, 2022	21,268	4,067	64,724	—	90,059

(Expressed in US Dollars)

8. Line of Credit

The Company entered into a credit facility of up to $122,000, which is secured via a first priority on the assets of the Company and bears an interest rate of 3.58%. Each draw is to be repaid in equal payments over the following 12 months. As at May 31, 2022, the Company has drawn down $122,000, and there is a balance due of $79,632.

		May 31, 2022
Opening balance		-
Additions		122,000
Interest		20,327
Repayments		(62,695)
	$	79,632

9. Accounts payable and accrued liabilities

As at		May 31, 2022		May 31, 2021
Accounts payable	$	789,587	$	424,185
Accrued liabilities		409,464		70,740
	$	1,199,051	$	494,925

10. Short-Term Loans

The short-term loan of $14,786 (C$19,000) (May 31, 2021 - $15,739 (C$19,000)) is non-interest-bearing, due on demand and not collateralized, and was due to a former related party.

11. Lease Liability

As at May 31, 2022, the Company has three equipment leases and one office lease (Collectively, the "**Leases**"). The Leases were measured at the present value of the future lease payments. These Lease payments are discounted using a discount rate of 8% per annum for the Company's office leases, which represents the Company's estimated incremental borrowing rate and the interest rate implicit in the lease agreement for equipment is between 21% and 32%.

The following is a continuity schedule of Lease liabilities as at May 31, 2022:

Opening balance, June 1, 2020	$	21,820
Lease additions (Note 7)		150,766
Finance expense		12,275
Payments		(57,680)
Disposal		(10,859)
Balance May 31, 2021		116,322
Finance expense		21,755
Payments		(64,115)
Balance May 31, 2022		74,362
Current portion		57,737
Long-term portion	$	16,625

During the year ended May 31, 2021, the Company terminated an office lease with no penalty payment. The Company entered into another office lease with a third-party vendor for lease term of fourteen months with option to renew the lease contract at the end of the lease term for fourteen months.

(Expressed in US Dollars)

12. Vehicle Loan

The Company has a loan for the purchase of a vehicle on which is pays $247 per month plus interest at the rate of 8.5%. As at May 31, 2022, there was a balance of $3,270 of which $2,969 plus interest is due over the next 12 months.

13. Convertible Debenture

During the year ended May 31, 2021, the Company completed a non-brokered private placement of unsecured convertible debenture financings ("**Debenture**") with an aggregate face value of C$600,000 ($463,355). The Debentures bear interest of 15% per annum and matured in November 2021. The principal and interest are convertible into common shares at a conversion price which the is the lesser of the five-day volume weighted average price ("VWAP") for five-trading sessions on the CSE prior to the Closing Date and a 25% discount to the VWAP of for the 5-day trading sessions prior to conversion per Common Share.

On March 10, 2022, the original Debenture was acquired by a third party and amended to the following terms ("Convertible Debenture Amendment"); the Debenture will now mature on October 1, 2022 and it will be convertible into units (a "**Unit**") of the Company with a conversion price of C$0.13 per Unit. Each Unit will be comprised of one common share (a "**Share**") and one Share purchase warrant ("**SPW**") that is exercisable to acquire one additional Share at a price of $0.13 for a period of 12 months from issuance.

On March 11, 2022, the Debenture was converted and the Company issued 6,598,823 common shares with a fair value of $1,606,435. The fair value of the warrants was estimated to be $1,199,275 using the Black-Scholes Option Pricing Model with the following assumptions: term of 1 year; expected volatility of 161%; risk-free rate of 1.22%; and expected dividends of zero. The combined fair value was $2,805,710. Immediately prior to conversion, the debenture had a fair value of $674,233 and the Company recorded a loss on conversion of convertible debenture to the Statement of Loss and Comprehensive Loss of $2,131,477.

The following table reconciles the recorded value of the convertible debentures:

	Total **$**
Balance, May 31, 2020	-
Additions	463,355
Foreign exchange loss	35,167
Change in fair value	20,919
Balance, May 31, 2021	519,441
Interest	183,157
Foreign exchange	(28,365)
Conversion	(674,233)
Balance, May 31, 2022	-

14. Share capital

The Corporation is authorized to issue an unlimited number of common shares.

On October 19, 2021, the Company consolidated all of its issued and outstanding share capital on the basis of 10 old common shares for 1 new common share. All share and per share amounts have been updated to reflect the share consolidation. On the same date, the Company also changed its ticker symbol from "KBEV" to "FIT".

Share issuances

For the fiscal year ended May 31, 2021

During the year ended May 31, 2021, the Company issued 110,000 common shares to officers and consultants of the Company pursuant to a consulting agreement with a fair value of $61,543 (C$82,500). The Company transferred $61,543 from obligation to issue shares to share capital.

During the year ended May 31, 2021, the Company issued 795,807 common shares pursuant to warrant exercises for gross proceeds of $502,929 (C$635,808).

On May 26, 2021, the Company completed a private placement and issued 4,500,000 warrants ("**Warrant**") for gross proceeds of $743,187 (C$900,000). Each Warrant is exercisable into one Unit ("**Unit**"). Each Unit consists of one common share and one transferable common share purchase warrant (each a "**Conversion Warrant**"). Each Warrant will entitle the holder to acquire one Unit at a price of $0.03 per Unit for a period of two years from the date of closing. Each Conversion Warrant will entitle the holder thereof to acquire one additional common share at a price of $0.05 per share for a two-year period.

For the fiscal year ended May 31, 2022

On February 4, 2022, the Company closed a non-brokered private placement of 27,443,000 units at a price of C$0.10 per unit for gross proceeds of $2,159,336. Each unit consists of one common share in the capital of the Company and one transferable common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional share at a price of C$0.25 per warrant for a period of one year from closing. In the event that the shares have a closing price on the Canadian Securities Exchange (or such other exchange on which the shares may be traded at such time) of C$0.50 or greater per share for a period of five consecutive trading days at any time prior to the expiry date of the warrants, the company may accelerate the expiry date of the warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration of the expiry date of the warrants) and, in such case, the warrants will expire on the 30th day after the date of such notice. The Company paid finders fees and accounting fees of $143,461 in connection with this financing.

On March 11, 2022, the Debenture was converted and the Company issued 6,598,823 common shares with a fair value of $1,606,435. The fair value of the warrants was estimated to be $1,199,275 using the Black-Scholes Option Pricing Model with the following assumptions: term of 1 year; expected volatility of 161%; risk-free rate of 1.22%; and expected dividends of zero. The combined fair value was $2,805,710. Immediately prior to conversion, the debenture had a fair value of $674,233 and the Company recorded a loss on conversion of convertible debenture to the Statement of Operations and Comprehensive Loss of $2,131,477.

On March 16, 2022, pursuant to the terms of a distribution agreement, the Company issued 172,662 common shares with a fair value of $50,220.

On April 8, 2022, the Company issued 3,000,000 common shares in recognition of performance bonuses to the CEO, Vice President and consultant with fair value of $1,167,686.

On April 22, 2022, the Company acquired 100 % of Retox Beverage Corp. and issued 15,000,000 common shares with a fair value of $5,550,307 and issued 15,000,000 warrants with an estimated fair value of $4,263,654 based on the Black-Scholes Option Pricing Model with the following assumptions: Stock price – 0.47; exercise price – 0.175; term of 1 year; expected volatility of 161%; risk-free rate of 2.59%; and expected dividends of zero. Each warrant gave the holder the right to purchase one additional common share at a price of CA$0.175 prior to April 23, 2023.

During the year, the Company issued 5,350,000 common shares upon the exercise of warrants for gross proceeds of $647,488. The Company transferred $1,532,230 from reserve to share capital.

Obligation to issue shares

During the year ended May 31, 2021, the Company agreed to issue 770,000 common shares with a fair value of $215,192 to consultants ("Consultants") of the Company as payment for performance bonuses, upon achieving certain milestones. During the year ended May 31, 2022, the Company recognized share-based compensation of $136,333. On March 25, 2022, the Company amended the Consultants agreement and amended the terms of the payment for performance bonuses. During the year ended May 31, 2022, the Company transferred $351,525 from obligation to issue shares to contributed surplus to reflect the amendment.

During the year ended May 31, 2022, the Company estimated it would be liable to issue up to 64,850,000 (2021 – 6,600,000) common shares to consultants of the Company as payment for performance bonuses, upon achieving certain milestone. As at May 31, 2022, $5,029,681 (May 31, 2021 - $215,192) of the fair value of the services was recorded as an obligation to issue shares.

15. Contributed Surplus

a) Incentive Stock options

The Company's Incentive Stock Option Plan ("**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

<u>During the year ended May 31, 2021:</u>
On July 16, 2020, the Company granted 603,333 stock options with an exercise price of C$0.80 per share expiring on July 16, 2025. The options vested immediately. The fair value of the stock options was estimated to be $337,768 (C$437,207) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 191%; risk-free rate of 0.33%; and expected dividends of zero.

On April 22, 2021, the Company granted 20,000 stock options with an exercise price of C$0.80 per share expiring on April 22, 2026. The options vest 4 months after issuance. The fair value of the stock options was estimated to be $3,792 (C$4,909) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 189%; risk-free rate of 0.93%; and expected dividends of zero. During the year ended May 31, 2022, the Company recorded share-based compensation of $8,306 related to this option grant.

On May 12, 2021, the Company granted 40,000 stock options with an exercise price of C$0.75 per share expiring on May 12, 2026. The options vest 6 months after issuance. The fair value of the stock options was estimated to be $2,301 (C$437,207) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 189%; risk-free rate of 0.97%; and expected dividends of zero. During the year ended May 31, 2022, the Company recorded share-based compensation of $20,447 related to this option grant.

<u>During the year ended May 31, 2022:</u>

On February 14, 2022, the Company granted 150,000 stock options with an exercise price of C$0.23 per share expiring on February 14, 2027. The options vested immediately. The fair value of the stock options was estimated to be $24,165 (C$30,462) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 138%; risk-free rate of 1.71%; and expected dividends of zero.

(Expressed in US Dollars)

On March 15, 2022, the Company granted 450,000 stock options with an exercise price of C$0.37 per share expiring on March 15, 2027. The options vest upon the achievement of certain milestones. The total fair value of the stock options was estimated to be $118,017 (C$148,772) using the Black-Scholes Option Pricing Model with the following assumptions: term of 5 years; expected volatility of 142%; risk-free rate of 1.94%; and expected dividends of zero. During the year ended May 31, 2022, the Company recognized an expense of $51,812 (C $65,314).

The following table reconciles outstanding incentive stock options as at May 31, 2022 and 2021:

	Number	Number of options exercisable	Weighted Average Exercise Price
Balance, June 1, 2020	—	—	$ N/A
Granted	663,333	663,333	0.80
Balance, May 31, 2021	663,333	663,333	$ 0.80
Granted	600,000	150,000	0.34
Balance, May 31, 2022	1,263,333	813,333	$ 0.58

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at May 31, 2022.

		Outstanding			Exercisable	
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
$ 0.80	603,333	July 16, 2025	3.1 years	$ 0.80	603,333	$ 0.80
$ 0.80	20,000	April 22, 2026	3.9 years	$ 0.80	20,000	0.80
$ 0.75	40,000	May 12, 2026	3.9 years	$ 0.75	40,000	0.75
$ 0.23	150,000	February 14, 2027	4.71 years	$ 0.23	150,000	0.23
$ 0.7	450,000	March 15, 2027	4.79 years	$ 0.37	-	-

b) Warrants

The following table summaries warrant activity:

	Number	Weighted Average Exercise Price
Balance, June 1, 2020	2,121,468	$ 1.70
Issued	—	N/A
Exercised	(795,808)	0.80
Expired	(622,500)	0.70
Balance, May 31, 2021	703,160	$ 0.35
Issued	49,041,823	0.21
Exercised	(5,350,000)	0.16
Expired	(703,160)	0.70
Balance, May 31, 2022	43,691,823	$ 0.22

(Expressed in US Dollars)

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at May 31, 2022.

		Outstanding			Exercisable	
Exercise Price	Options Outstanding	Expiry Date	Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price
$ 0.250	27,443,000	February 4, 2023	0.7 years	$ 0.250	27,443,000	$ 0.250
$ 0.130	4,348,823	March 11, 2023	0.8 years	$ 0.130	4,348,823	0.130
$ 0.175	11,900,000	April 23, 2023	0.9 years	$ 0.175	11,900,000	0.175

Special Warrants

As at November 30, 2022, there are 4,500,000 special warrants (“**Special Warrant**”) outstanding. Each Special Warrant is exercisable to acquire one Unit (“**Unit**”). Each Unit consists of one common share and one transferable common share purchase warrant (“**Conversion Warrant”)**. Each Special Warrant will entitle the holder to acquire one Unit at a price of $0.30 per Unit for a period of two years from the date of closing. Each Conversion Warrant will entitle the holder thereof to acquire one additional share at a price of $0.50 per share for a two-year period.

16. Transactions with Related Parties and payments to Key Management

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the year.

Period ended May 31,	2022	2021
Expenses		
Consulting fees paid or accrued to CEO	$ 201,667	$ 120,000
Consulting fees paid or accrued to the vice president	110,000	90,800
Consulting fees paid or accrued to a director of the Company	10,600	-
Consulting fees paid or accrued to the former CFO	—	46,355
Accounting and corporate fees paid or accrued to a company controlled by the former CFO	8,403	51,298
Shares granted for consulting fees or performance bonus	778,458	71,133
Share based compensation	4,623,123	160,306
Loan receivable	105,276	103,962
Obligation to issue shares	4,733,325	-
Accounts payable	160,062	147,810

As at May 31, 2022, the Company is owed $105,276 (May 31, 2021 – $103,962) from the CEO of the Company via a loan receivable. The loan receivable bears interest of 5% per annum, compounded monthly.

As at May 31, 2022, the Company owes $160,062 (May 31, 2021 – $147,810) to related parties or companies owned by directors and officers of the Company. Accounts payable to related parties do not bear interest, are unsecured, and are repayable on demand.

On April 8, 2022, the Company issued 1,000,000 shares each, to the CEO and Vice-President of the Company in recognition of bonuses for a total fair value of $778,458 (2021 - $71,133).

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer, Corporate Secretary and the Board of Directors. During the year ended May 31, 2022 and 2021, no key management personnel were indebted to the Corporation, with the exception of that mentioned above.

As of May 31, 2022, the Company owed BevCreation of $33,610 (2021 - $18,533) for processing fees.

17. Commitments and contingencies

The Corporation, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Corporation.

18. Financial Instruments and Risk Management

The Company's financial instruments consist of cash, accounts receivable, loan receivable, line of credit, due to related parties, accounts payable, accrued liabilities, convertible debentures and short-term loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to any significant interest, currency or credit risks arising from these financial instruments.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7 – Financial Instruments.

Level 1 – Observable inputs other than quoted prices include in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data. Cash and cash equivalents are classified as Level 1.

Level 2 – Observable inputs other than quoted prices, included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity. Convertible debentures are classified as level 3. The fair value was based on the transaction price with changes in fair value based on changes in market conditions.

Credit risk
Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, loans receivable and accounts receivable. The Company limits its exposure to credit risk on liquid financial assets by maintaining its cash with high-credit quality financial institutions. Credit risk related to receivables is monitored by ongoing credit checks. The credit risk is considered low. During the year ended May 31, 2022, 92% of revenues were generated from four key customers and 73% of trade accounts receivable are from two key customers.

Currency risk
The Company and its subsidiaries do not have significant financial assets and liabilities denominated in foreign currencies other than the convertible debenture which is denominated in Canadian dollars (Note 13). Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, no source of operating income and no assurance that additional funding will be available to fund its beverage operations, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk
The Company normally invests in short-term interest-bearing financial instruments. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they would be held in large financial institutions.

Fair value measurements of financial assets and liabilities
The Company believes that the recorded values of its accounts receivable, short-term loans, line of credit, due to related parties, accounts payable and accrued liabilities, approximates their current fair values due to their nature and relatively short maturity dates or durations.

19. Capital Management

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company may invest all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. The Company continues to use this approach to capital management.

The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its business objectives.

20. Provision for Indemnity

Flow-Through Exploration Expenditures
During the year ended May 31, 2013, the Company raised a total of C$85,440 in flow-through funds, which the Company committed to use in exploration activities on its active projects. The Company allocated C$14,240 of the proceeds to the flow through share premium liability and the remaining proceeds of C$71,200 to share capital. As at May 31, 2014, the Company did not incur eligible exploration expenses which resulted in a penalty and accrued interest totaling approximately $25,072 (C$32,219) and remains outstanding.

(Expressed in US Dollars)

21. Acquisition of Retox Beverage Corp.

On April 22, 2022, the Company entered into a Share Exchange Agreement to acquire 100% of Retox Beverage Corp. ("Retox"). Retox is in the business of formulating soft beverages, soda and seltzers. As consideration, the Company issued 15,000,000 units ("Units") of the Company. Each Unit is comprised of one common share and one common share purchase warrant which entitles the holder thereof to acquire on additional share of the Company at a price of $0.175 for a period of 12 months from the date of issuance.

The acquisition of Retox does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire Retox.

Purchase Price:	**$**
15,000,000 common shares	5,550,307
15,000,000 warrants	4,263,654
Share-based compensation	9,813,961

The acquisition was accounted for as a share-based payment as none of the products of Retox have been market listed. Retox was in the early stage of formulation soft beverages, soda and seltzers. At the time of acquisition, the Company was conducting research and was in the processes of formulating soft beverages, soda and seltzers which did not meet the definition of intangible assets. As such, the purchase consideration of $9,813,961 was expensed in the consolidated statements of loss and comprehensive loss during the year ended May 31, 2022.

22. Loss Per Share

In calculating the diluted earnings per share, issued and outstanding incentive stock options and warrants were not considered as they would have been anti-dilutive.

May 31	2022	2021
Denominator basic and diluted earnings per share		
Weighted average number of Common shares outstanding	20,960,561	8,072,628
Dilutive effect of incentive stock options	—	—
Dilutive effect of warrants	—	—
Diluted weighted average Common shares	20,960,561	8,072,628

23. Income Taxes

i) The Corporation's income tax rate differs from the statutory rate of approximately 26% (2021 - 23.6%) as follows:

For the year ended December 31,	2022	2021
Pre-tax loss before income taxes	$ (21,159,674)	$ (2,080,906)
Expected income tax expense based on statutory rate	(5,603,386)	(484,716)
Non-deductible provisions	4,345,943	142,943
Change in deferred tax assets	1,257,443	341,773
Income tax recovery for the year	$ —	$ —

As at May 31, 2022, the Company has accumulated Canadian non-capital losses approximately $15,000,000 for income tax purposes which may be deducted in the calculation of taxable income in future years expiring in 2042. The potential benefit of these non-capital loss carry-forwards has not been recognized in these Financial Statements as it is not considered probable that sufficient future taxable profit will allow the deferred assets to be recovered. Tax attributes are subject to review, and potential adjustment, by tax authorities.

24. Subsequent Event

On October 3, 2022, the Company completed a private placement and issued 2,000,000 Units for gross proceeds of CA $100,000, where each unit is comprised of one common share and one transferable warrant where each warrant provides the holder with the right to purchase 1 common shares at $0.075 until October 3, 2027.

On October 3, 2022, the issued 11,500,000 common shares to settle debt of $575,000.

In September 2022, the Company was obligated to issue 1,000,000 common shares to a director of the Company.

Subsequent to year end, the Company signed a new lease ending in January 2030 with an annual lease payment of $146,400.