Consolidated financial statements of

Flow Beverage Corp.

For the years ended October 31, 2023 and 2022
[expressed in Canadian dollars]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flow Beverage Corp.

Opinion

We have audited the consolidated financial statements of Flow Beverage Corp. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at October 31, 2023 and October 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2023 and 2022 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Inventories Costing – finished goods	
As at October 31, 2023, the finished goods inventories balance was $7.8 million. Inventory is recorded at the lower of cost and net realizable value. The cost for finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. Note 3 of the consolidated financial statements describes the accounting policy for inventories. Auditing the Group's inventories costing process requires significant audit effort in performing procedures to evaluate management's application of the standard cost and overhead absorption for finished goods inventory due to the inputting of various inventory cost elements and nature of the Group's process. As a result, the nature of management's process gives rise to a risk that an error may occur in the costing process for finished goods inventories.	The procedures, amongst others, performed to test the inventories costing process for finished goods, included: • We assessed the adequacy of the Group's accounting policy for inventories. • We assessed the completeness of overhead costs allocated by review of all cost accounts and recalculated the allocation to inventories on hand at year-end. • For a sample of labour and overhead costs, we examined the actual costs of direct labour and overhead by comparing the amounts to external and internal data sources such as invoices and payroll records. • For a sample of finished goods inventories, we agreed the raw material costs to external data sources, namely third-party invoices. • We obtained management's over/under absorption analysis and recalculated the allocation of labour and overhead cost to inventories to the actual costs incurred.

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 audit 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 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 in this auditor's report. 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 IFRS, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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.

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

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

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 29, 2024

Flow Beverage Corp.
Consolidated statements of financial position
[expressed in Canadian dollars]

As at	Notes	**October 31, 2023** **$**	October 31, 2022 $
ASSETS			
Current assets			
Cash		**6,494,733**	2,281,521
Trade and other receivables	4, 5, 21	**11,674,289**	11,901,259
Inventories	6, 8, 9	**12,464,993**	10,060,553
Prepaid expenses and deposits	7	**3,387,507**	2,452,120
		34,021,522	26,695,453
Assets held for sale	4	**14,584,263**	33,299,615
Non-current assets			
Deposits		—	115,914
Right-of-use assets, net	8	**116,637**	10,430,353
Property and equipment, net	9	**5,716,706**	11,208,088
Intangible assets, net	10	**496,419**	588,766
TOTAL ASSETS		**54,935,547**	82,338,189
LIABILITIES			
Current liabilities			
Trade and other payables		**23,746,927**	12,948,110
Deferred revenue		**367,189**	—
Lease obligations	8	**136,784**	2,023,378
Borrowings	11	**1,800,373**	2,009,689
Other current liabilities		**432,112**	—
		26,483,385	16,981,177
Liabilities directly associated with assets held for sale	4	**6,584,901**	15,279,666
Non-current liabilities			
Lease obligations	8	**—**	6,927,865
Derivative liability	11	**—**	1,842,248
Borrowings	11	**27,482,240**	8,211,072
Other non-current liabilities		**96,093**	—
		60,646,619	49,242,028
SHAREHOLDERS' DEFICIT			
Share capital	12	**100,397,703**	95,186,901
Warrants	13	**1,803,990**	11,397,285
Contributed surplus	14	**179,131,835**	171,812,817
Foreign currency translation reserve		**91,133**	(1,139,305)
Deficit		**(287,135,733)**	(244,161,537)
		(5,711,072)	33,096,161
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**54,935,547**	82,338,189
Contingencies	18		
Subsequent events	25		

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

Signed "Nicholas Reichenbach", Director *Signed "Stephen A. Smith", Director*

Flow Beverage Corp.
Consolidated statements of loss and comprehensive loss
[expressed in Canadian dollars, except number of shares]

For the years ended October 31,	Notes	2023 $	2022 $
Net revenue	16	**46,675,139**	47,120,185
Cost of revenue	6, 8	**40,001,644**	37,948,893
Gross profit		**6,673,495**	9,171,292
Operating expenses			
Sales and marketing		**7,476,394**	8,758,940
General and administrative	8, 19	**21,960,622**	18,765,306
Salaries and benefits		**12,592,725**	14,546,182
Amortization and depreciation	8, 9,10	**571,866**	1,964,633
Share-based compensation	14	**2,422,104**	5,722,958
		45,023,711	49,758,019
Loss before the following		**(38,350,216)**	(40,586,727)
Other (income) expense, net		**(854,576)**	(161,618)
Finance expense, net	23	**3,322,307**	5,680,236
Foreign exchange loss (gain)		**506,254**	(445,094)
Impairment of assets and restructuring costs	24, 10	**1,563,579**	2,047,083
Loss on option cancellations		**86,416**	—
Loss before income taxes		**(42,974,196)**	(47,707,334)
Income tax expense	17	**—**	—
Net loss for the year		**(42,974,196)**	(47,707,334)
Other comprehensive income (loss)			
Exchange gain on translation of foreign operations		**1,230,438**	3,046,047
Comprehensive loss		**(41,743,758)**	(44,661,287)
Loss per share - basic and diluted	15	**$ $(0.77)**	$ (0.88)
Weighted average number of shares outstanding - basic and diluted	15	**55,723,267**	54,125,009

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

Flow Beverage Corp.
Consolidated statements of changes in shareholders' equity
For the years ended October 31, 2023 and 2022
[expressed in Canadian dollars, except number of shares]

	Share capital		Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total
	#	$	$	$	$	$	$
Balance as at October 31, 2021	53,504,527	87,026,834	11,976,400	171,811,237	(4,185,352)	(196,454,203)	70,174,916
Warrants expired [note 13]	—	—	(1,854,248)	1,854,248	—	—	—
Warrants issued [note 13]	—	—	1,275,133	—	—	—	1,275,133
Share issuance on RSU release [note 12,14]	1,149,760	8,004,089	—	(8,004,089)	—	—	—
Share issuance on DSU release [note 12,14]	158,307	155,978	—	(155,978)	—	—	—
Share-based compensation [note 14]	—	—	—	6,307,399	—	—	6,307,399
Comprehensive income (loss)	—	—	—	—	3,046,047	(47,707,334)	(44,661,287)
Balance as at October 31, 2022	54,812,594	95,186,901	11,397,285	171,812,817	(1,139,305)	(244,161,537)	33,096,161
Warrants expired [note 13]	—	—	(9,195,238)	9,195,238	—	—	**—**
Warrants cancelled [note 13]			(1,275,133)	1,275,133			**—**
Warrants issued [note 13]	—	—	877,076	—	—	—	**877,076**
Share issuance on RSU release [note 12,14]	1,714,851	4,931,639	—	(4,931,639)	—	—	**—**
Share issuance on DSU release [note 12,14]	524,094	279,163	—	(279,163)	—	—	**—**
Settlement of DSU	—	—	—	(52,999)	—	—	**(52,999)**
Cancellation of modification of options	—	—	—	(309,656)	—	—	**(309,656)**
Share-based compensation [note 14]	—	—	—	2,422,104	—	—	**2,422,104**
Comprehensive income (loss)	—	—	—	—	1,230,438	(42,974,196)	**(41,743,758)**
Balance as at October 31, 2023	**57,051,539**	**100,397,703**	**1,803,990**	**179,131,835**	**91,133**	**(287,135,733)**	**(5,711,072)**

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

Flow Beverage Corp.
Consolidated statements of cash flows
[expressed in Canadian dollars]

For the years ended October 31,	2023	2022
	$	$
Cash flows used in operating activities		
Net loss for the year	**(42,974,196)**	(47,707,334)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized foreign exchange loss	**732,856**	794,322
Amortization and depreciation	**1,506,521**	5,928,916
Share-based compensation	**2,422,104**	6,307,399
Impairment of assets	**—**	841,714
Other non-cash income	**(1,660)**	(118,997)
Finance expense, net	**3,322,307**	5,680,236
	(34,992,068)	(28,273,744)
Changes in non-cash working capital items:		
Trade and other receivables	**1,348,046**	(2,973,286)
Prepaid expenses and deposits	**(768,814)**	1,197,726
Inventories	**(1,934,288)**	(1,136)
Trade and other payables	**10,162,198**	(2,976,426)
Deferred revenue	**367,189**	(16,644)
Cash flows used in operating activities	**(25,817,737)**	(33,043,510)
Cash flows provided by (used in) investing activities		
Purchase of equipment	**—**	(980,749)
Proceeds from sale of disposal group	**16,810,237**	—
Cash flows provided by (used in) investing activities	**16,810,237**	(980,749)
Cash flows provided by (used in) financing activities		
Proceeds from borrowings	**19,375,497**	1,029,485
Repayment of borrowings	**(3,543,606)**	(11,664,990)
Cash settled stock options	**(87,120)**	—
Payment of lease obligations [note 8]	**(2,524,059)**	(4,625,670)
Cash flows provided by (used in) financing activities	**13,220,712**	(15,261,175)
Net change in cash during the year	**4,213,212**	(49,285,434)
Cash, beginning of the year	**2,281,521**	51,566,955
Cash, end of the year	**6,494,733**	2,281,521

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

1 Nature of business

Flow Beverage Corp. [the "Company" or "Flow"], formerly RG One Corp. ["RG One"] up to the completion of the amalgamation, as defined below, is engaged in the business of extraction, value-added packaging and sale of water in Canada and the United States.

The Company was incorporated on October 30, 2014, under the *Canada Business Corporations Act* ["CBCA"]. The Company's registered office is 155 Industrial Parkway South, Unit 7-10, Aurora, Ontario, Canada, L4G 3G6.

On April 7, 2021, Flow Water Inc. ["Flow Water"] entered into a Business Combination Agreement with RG One and RG One Subco Inc. ["RG One Subco"], a wholly owned subsidiary of RG One formed solely for the purpose of completing the amalgamation, pursuant to which Flow Water and RG One Subco agreed to amalgamate in accordance with the provisions of the CBCA [the "Amalgamation"].

2 Basis of preparation

Statement of compliance

These consolidated financial statements ["Financial Statements"] have been prepared on a going concern basis in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on January 29, 2024.

Basis of measurement

The Financial Statements have been prepared on a historical cost basis. Historical costs are generally based on the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment* and measurements that have some similarities to fair value but are not fair value, such as value in use in International Accounting Standard ["IAS"] 36, *Impairment of Assets.*

Basis of consolidation

The Financial Statements comprise the financial statements of the Company and its wholly owned subsidiaries:

Entity	Country	Ownership percentage October 31, 2023	Ownership percentage October 31, 2022
		%	%
Flow Water Inc.	Canada	100	100
Flow Beverages Inc.	US	100	100
2446692 Ontario Limited	Canada	100	100
Flow Glow Beverages Inc.	Canada	100	100
Flow Beverages (Switzerland) SA	Switzerland	100	100

Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and can use its power to affect its returns. The Company reassesses whether it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company,

using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

Functional currency and presentation currency

These Financial Statements are presented in Canadian dollars. Flow's functional currency is Canadian dollars and the functional currencies of the Company's wholly owned subsidiaries are as follows:

Flow Water Inc.	Canadian dollars
Flow Beverages Inc.	US dollars
2446692 Ontario Limited	Canadian dollars
Flow Glow Beverages Inc.	Canadian dollars
Flow Beverages (Switzerland) SA	Swiss francs

Foreign currency translation

Foreign currency transactions are translated into functional currencies at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

On consolidation, assets and liabilities of operations with a functional currency other than Canadian dollars are translated into Canadian dollars at period-end foreign currency rates. Revenue and expenses of such operations are translated into Canadian dollars at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive loss in the consolidated statements of loss and comprehensive loss. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation.

Use of estimates and judgment

The preparation of these Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

In the preparation of the Financial Statements, management is required to identify when events or conditions indicate that there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its borrowing capacity. The Company's ability to continue as a going concern for the next 12 months involves significant judgment and is dependent on the availability under the Company's borrowings and its ability to generate positive cash flows from operating activities. Based on current funds available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future. However, if management is unable to execute on its strategic plans, which include achieving targets for Flow Branded product sales and co-packing revenue, optimizing the Company's production facility, lowering logistics costs to targeted levels or achievement of all other functional area cost reductions through its restructuring or alternatively dispose of its assets held for sale at a favourable price, it

may be required to seek additional capital in the form of debt or equity or a combination of both. Management's current expectations with respect to future events are based on currently available information and the actual outcomes may differ materially from those current expectations.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

- Promotional incentives

  For various promotional incentives, the Company estimates the most likely amount payable to each customer under each trade and incentive program separately using expected sales volume and historical spending patterns.

- Assets held for sale

  The determination as to whether a disposal group meets the requirements to be classified as held for sale, and the assets and liabilities to be included within that disposal group, requires management to exercise judgment when making these determinations. Management must also exercise judgment when determining at which date all the criteria are satisfied for the asset or liability to be classified as held for sale. Management must also use estimates when determining the fair value less costs to sell of the disposal group to assess if the carrying value of the disposal group is greater than its recoverable amount.

- Trade and other receivables

  The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company has established a process to review historical credit loss experiences and assess for forward-looking factors specific to the debtors and the economic environment.

- Share-based payments

  Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected term, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

- Inventories

  Inventories consist of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or slow moving. Actual net realizable value can vary from the estimated provision.

  The cost of inventories also involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated.

- Debt modifications

  In accordance with IFRS 9 *Financial Instruments* ["IFRS 9"], the Company is required to assess whether a modification to a debt instrument results in a modification or extinguishment. In an extinguishment, the financial liability, which represents the obligation to pay coupon interest and principal in the future, is initially measured at its fair value and subsequently measured at amortized cost. When measuring the fair value of the liability it is based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

3 Summary of significant accounting policies

Revenue recognition

The Company recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when, or as, the Company satisfies a performance obligations.

For sales to distributors, revenue is recognized when control of the goods has transferred to the distributor, which is dependent on specific shipping terms. Following shipping, the distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when control of the goods has transferred to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales to retailers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due at the point in which control transfers.

For co-packing services provided by the Company, revenue is recognized as the service is provided at an amount that reflects the consideration the Company expects to receive in exchange for the services provided.

The Company provides sales discounts and reductions through contract price discounts, payment terms, point of sale price reduction arrangements and customer returns, and markdowns. If variable, the Company uses its accumulated historical experience to estimate the variable consideration to which it is entitled to, using the most likely outcome method. If considered highly probable that a significant reversal in the cumulative revenue recognized will not occur, such consideration shall be recognized in revenue.

The Company conducts extensive promotional activities, primarily using cooperative advertising, coupons, in-store displays, slotting fees and other funded costs from retail partners. The costs of such activities are recorded as a reduction of revenue over the period in which the goods or services are transferred to the customer, to the extent the consideration is not in exchange for a distinct good or service.

The Company enters into sales agreements with customers who provide the Company trade credits in exchange for the Company's products. Trade credits are primarily used to purchase advertising services. The Company is required to estimate the fair value of the trade credits received, which includes estimates of the cost per impression based on the type of advertising channel the Company expects to utilize as part of future advertising campaigns. The fair value of the trade credits received are recognized in prepaid expenses.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less estimated costs necessary to make the sale.

The cost for finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation, and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. The cost of purchase comprises the purchase price, non-recoverable taxes, transport, handling and other costs directly attributable to the acquisition of goods. Inventory allowances are recorded in the period in which management determines the inventory to be obsolete or impaired.

Property and equipment

The Company's property and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset.

Depreciation is recorded using straight-line and declining balance methods as detailed below on an annual basis, except for land, which is not depreciated:

Equipment	5 – 19 years straight-line
Furniture and fixtures	20% declining balance
Leasehold improvements	Lesser of 10 to 25 years straight-line and lease term

The Company assesses an asset's residual value, useful life and depreciation method on an annual basis and if any events have indicated a change and makes adjustments, if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in the consolidated statements of loss and comprehensive loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. Separately acquired intangible assets are measured at cost on initial recognition. An intangible asset with a finite life is amortized over the useful economic life on a straight-line basis. Each reporting period the useful lives of such assets are reviewed. Amortization is recorded over the estimated useful lives of the assets as outlined below:

Domain name	5 years
Trademark	5 – 15 years
Licenses	10 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the consolidated statements of loss and comprehensive loss over its estimated useful life.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Provisions

Provisions are recognized when the Company has a present obligation [legal or constructive] [a] as a result of a past event; [b] when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and [c] when a reliable estimate can be made of the amount of the obligation.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax

liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent it is not probable sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates [and tax laws] that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively.

The Company has not recognized deferred tax assets as at October 31, 2023 and 2022, as it is not considered probable at this time that the assets can be recovered.

Share-based payments

For equity-settled plans, expense is based on the fair value of the awards granted, calculated on the grant date, with a corresponding increase in equity. The expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are satisfied.

The Company uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options and warrants. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option or warrant, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option or warrant realized from the original estimate. The assumptions and estimates used are outlined in the share-based compensation note.

The Company has equity-settled Restricted Share Unit ["RSU"] plans for various members of management and the Board of Directors. The units are awarded at no cost to the recipient and the fair market value determined at the grant date is expensed over the vesting period. The fair market value of the award is based on the volume-weighted average trading price for the shares on the TSX for the five trading days immediately preceding the grant date. RSU expense is recognized over the vesting period with a related credit to contributed surplus. Flow recognizes the expense based on the best available estimate of the number of RSUs expected to vest and revises the estimate if necessary. Upon share issuance of RSU release, the contributed surplus balance is reduced through a credit to share capital.

The Company's Board of Directors may fix, from time to time, a portion of the total compensation paid by the Company to a director in a fiscal year for service on the Board [the "Director Fees"] that are to be payable in the form of Deferred Share Units ["DSUs"]. Directors may elect to receive all or a portion of their quarterly retainer Director Fees in the form of DSUs. The number of DSUs that a director will receive in respect of any period is calculated by dividing [a] the amount of any bonus or similar payment that is to be paid in DSUs by [b] the market price of a share on the date of the grant. The DSUs are treated as equity-settled instruments for accounting purposes. The Company expects that vested DSUs will be paid at settlement through the issuance of one common share per DSU. DSUs shall vest immediately upon grant.

Where the terms of an equity-settled award are modified, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement as measured at the date of modification. The additional expense recognized is calculated as the incremental increase in fair value of the modified stock options compared to the original terms as at the date of modification.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. When the fair value of the goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

For cash-settled plans, the fair value of the award is determined at the grant date and is recognized as an expense over the vesting period of the awards. The total expense recognised in the consolidated statements of loss and comprehensive loss represents the fair value of the cash-settled awards, with a corresponding increase in liabilities on the statements of financial position. The Company remeasures the fair value of the award at each reporting date and on settlement.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which consist of additional shares from the assumed exercise or conversion of warrants, share options, RSUs and DSUs.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ["FVTPL"] are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

  A financial asset [unless it is a trade receivable without a significant financing component that is initially measured at the transaction price] is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

  The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- Financial liabilities

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

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

- Financial liabilities and equity instruments
  - Classification as debt or equity

    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
  - Equity instruments

    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

    Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.
- Classification of financial instruments

  The Company classifies its financial assets and financial liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Derivative liability	FVTPL

- Impairment of financial assets

  An expected credit loss ["ECL"] model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on a quarterly basis.

Compound financial instruments

Compound financial instruments issued by the Company comprise the debt round issued with warrants. The components of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. The liability component of a compound financial instrument is recognized initially at the fair value by comparison to the fair value of a liability without an equity conversion feature or equity component. The residual value is assigned to the equity component. Where there are multiple equity components, the residual value is assigned to each based on the fair values of the equity components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying values.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method, except for conversion features which fail the fixed-for-fixed criteria and are recognized as a derivative liability at FVTPL.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right of control for the use of an identified asset for a period in exchange for consideration. The Company recognizes a right-of-use ["ROU"] asset and a lease liability at the lease commencement date, which is the date the leased asset is available for use. The ROU asset primarily relates to equipment, plant and warehouse and is initially measured based on the initial amount of the lease liability. The lease liabilities include the net present value of the following lease payments:

- Fixed payments [including any in-substance fixed payments, less any lease incentives receivable];
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Exercise price of any purchase option if the Company is reasonably certain to exercise that option; and
- Payments for penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The ROU assets are depreciated to the earlier of the end of their useful lives or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

ROU assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

The lease liability is classified and accounted for at the amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset unless it has been reduced to zero. Any further reduction in the lease liability is then recognized in profit or loss.

The Company has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The Company assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease is accounted for as a net investment in finance lease. If not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

New standards, amendments and interpretations adopted by the Company

IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company has concluded there is no impact of adopting these amendments on its consolidated financial statements as at November 1, 2022.

IAS 16, Property, Plant and Equipment ("IAS 16")

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company has concluded there is no impact of adopting these amendments on its consolidated financial statements as at November 1, 2022.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, Presentation of financial statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).* The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current [due or potentially due to be settled within one year] or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is still assessing the impact of adopting these amendments on its Financial Statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"]

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no impact of adopting these amendments on its Financial Statements on October 31, 2023

IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).* The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its Financial Statements on October 31, 2023.

All other IFRS and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Financial Statements.

4 Sales of assets and assets held for sale

Sale of assets

On November 8, 2022, the Company entered into an Asset Purchase Agreement to sell all of the Company's assets located at its US facility in Verona, Virginia [the "Verona Disposal Group"] for a purchase price of USD $19.5 million [CAD $26.6 million], comprising USD $13.2 million [CAD $18.0 million] in cash and USD $6.3 million [CAD $8.6 million] for the repayment of debt and the retirement of lease obligations related to the Verona Disposal Group. In addition, the Company assigned to the purchaser certain lease assets and related liabilities as part of the sale.

The carrying values of the assets and liabilities included in the Verona Disposal Group are as follows:

	$
Equipment	21,370,826
Right-of-use assets	11,421,330
Lease obligations retired	(5,028,699)
Lease obligations assigned	(6,281,062)
Borrowings	(3,737,055)
Net book value of Disposal Group	17,745,340
Net consideration received	17,711,853
Loss on disposal	33,487

The disposal resulted in a loss on sale of $33,487, recognized in other (income) expense, net, in the consolidated statements of loss and comprehensive loss. Net consideration received consisted of cash of USD $11,572,481 [CAD $15,554,572] and holdbacks of USD $1,605,000 [CAD $2,157,281] recognized in trade and other receivables [Note 5]. The total amount settled related to the holdbacks during the fiscal year was USD $955,000. A provision was taken against the remaining balance of USD $650,000, and is included in general and administrative expense within the statements of loss and comprehensive loss for the period ended October 31, 2023.

Assets held for sale

In April 2023, the Company made a strategic decision to pursue the sale of all of the Company's assets located at its Canadian facility in Aurora, Ontario [the "Aurora Disposal Group"] to allow the Company to focus on pursuing growth of the Flow brand and to simplify its operating structure. While the Company is still actively marketing the sale of the Aurora Disposal Group, the possible divesture is no longer seen as strategically necessary to grow the Flow Brand or to meet the Company's strategic goals and objectives.

In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the assets held for sale were assessed for impairment based on fair value less costs to sell. The fair value was measured using the proposed price at which the Company expects to sell the Aurora Disposal Group less estimates for the costs of disposal. The fair value less costs to sell was higher than the carrying value of the Aurora Disposal Group resulting in recognition of the resulting group at its carrying value.

Assets held for sale as at October 31, 2023, and October 31, 2022, consisted of the following:

	October 31, 2023	October 31, 2022
	$	$
Prepaid expenses	**150,661**	—
Property and equipment	**5,091,369**	21,701,540
Right-of-use assets	**9,342,233**	11,598,075
	14,584,263	33,299,615

Liabilities directly associated with assets held for sale as at October 31, 2023, and October 31, 2022, consisted of the following:

	October 31, 2023	October 31, 2022
	$	$
Lease obligations	**6,584,901**	11,484,780
Borrowings	**—**	3,794,886
	6,584,901	15,279,666

5 Trade and other receivables

	October 31, 2023	October 31, 2022
	$	$
Trade receivables, net	**8,443,745**	5,893,350
Accrued and other receivables	**683,994**	1,930,517
Harmonized sales tax receivables	**2,546,550**	4,077,392
	11,674,289	11,901,259

6 Inventories

	October 31, 2023	October 31, 2022
	$	$
Finished goods	**7,763,717**	4,115,961
Raw materials	**4,805,450**	6,300,505
	12,569,167	10,416,466
Allowance	**(104,174)**	(355,913)
	12,464,993	10,060,553

The amount of inventories recognized as cost of revenue during the year ended October 31, 2023, is $ 32,748,063 [2022 – $23,571,259]. At October 31, 2023, the Company recognized an inventory provision of $104,174 [2022 – $355,913]. The write-downs were recognized as part of cost of revenue during the respective years.

7 Prepaid expenses and deposits

The Company's deposits include $1,000,000 related to an asset purchase bid, which was held in a deposit account pending completion of the bid process.

8 Right-of-use assets and lease obligations

The Company's ROU assets by asset class are as follows:

	Equipment	Plant and warehouse	Vehicles	Premises	Total
Cost	$	$	$	$	$
Balance, October 31, 2021	15,348,394	15,749,334	1,436,241	637,253	33,171,222
Completed leases	(31,542)	—	(239,855)	—	(271,397)
Transfers to assets held for sale	(6,790,982)	(6,655,633)	—	—	(13,446,615)
Modifications	—	(3,237,833)	—	—	(3,237,833)
Effects of foreign exchange	629,393	809,161	—	—	1,438,554
Balance, October 31, 2022	9,155,263	6,665,029	1,196,386	637,253	17,653,931
Completed leases	—	—	(901,751)	(89,572)	(991,323)
Transfers to assets held for sale	(9,155,263)	(6,665,029)	—	—	(15,820,292)
Balance, October 31, 2023	**—**	**—**	**294,635**	**547,681**	**842,316**
Accumulated amortization					
Balance, October 31, 2021	2,109,070	4,126,143	937,655	317,927	7,490,795
Completed leases	(31,542)	—	(239,855)	—	(271,397)
Amortization	1,119,567	1,540,952	302,043	135,218	3,097,780
Transfer to assets held for sale	(589,982)	(1,258,558)	—	—	(1,848,540)
Modifications	—	(1,456,123)	—	—	(1,456,123)
Effects of foreign exchange	38,449	172,614	—	—	211,063
Balance, October 31, 2022	2,645,562	3,125,028	999,843	453,145	7,223,578
Completed leases	—	—	(901,751)	(89,572)	(991,323)
Amortization	341,249	366,220	152,493	111,521	971,483
Transfers to assets held for sale	(2,986,811)	(3,491,248)	—	—	(6,478,059)
Balance, October 31, 2023	**—**	**—**	**250,585**	**475,094**	**725,679**
Net book value					
Balance, October 31, 2022	6,509,701	3,540,001	196,543	184,108	10,430,353
Balance, October 31, 2023	**—**	**—**	**44,050**	**72,587**	**116,637**

Amortization expense related to ROU assets of $538,607 [2022 – $1,414,640] is recorded in the consolidated statements of loss and comprehensive loss within amortization and depreciation. Amortization expense of $432,876 [2022 – $1,683,140] was allocated to inventories produced in the year, which is included in inventories on the consolidated statements of financial position, and inventories sold in the year, which is recorded within cost of revenue on the consolidated statements of loss and comprehensive loss.

The Company's lease obligations are as follows:

	October 31, 2023	October 31, 2022
	$	$
Balance – Beginning of period	**8,951,243**	24,226,637
Interest accretion	**294,497**	1,519,212
Lease payments	**(1,446,239)**	(4,625,670)
Classified as held for sale	**(7,662,717)**	(11,484,780)
Modifications	**—**	(1,861,138)
Effects of foreign exchange	**—**	1,176,982
Balance – end of period	**136,784**	8,951,243
Current	**136,784**	2,023,378
Non-current	**—**	6,927,865

Expenses incurred for the fiscal year ended October 31, 2023, relating to variable, short-term leases and leases of low-value assets were $386,879 [2022 – $1,265,803] recorded in the consolidated statements of loss and comprehensive loss within general and administrative.

9 Property and equipment

	Land	Equipment	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, October 31, 2021	4,714,499	27,566,435	168,243	3,763,001	149,180	36,361,358
Additions	—	581,844	92,729	90,350	215,826	980,749
Transfers	—	264,384	—	5,700	(270,084)	—
Transfer to assets held for sale	—	(23,673,976)	(208,150)	(2,089,775)	—	(25,971,901)
Effects of foreign exchange	333,730	2,192,701	15,765	190,594	11,971	2,744,761
Balance, October 31, 2022	5,048,229	6,931,388	68,587	1,959,870	106,893	14,114,967
Additions	**—**	**—**	**—**	**18,416**	**—**	**18,416**
Disposals	**—**	**—**	**—**	**—**	**(105,857)**	**(105,857)**
Transfer to assets held for sale	**—**	**(6,420,737)**	**(4,633)**	**(1,756,220)**	**—**	**(8,181,590)**
Effects of foreign exchange	**58,567**	**5,050**	**—**	**—**	**(1,036)**	**62,581**
Balance, October 31, 2023	**5,106,796**	**515,702**	**63,954**	**222,066**	**—**	**5,908,516**
Accumulated depreciation						
Balance, October 31, 2021	—	2,685,224	48,923	670,456	—	3,404,603
Depreciation	—	3,096,073	41,279	298,161	—	3,435,513
Transfer to assets held for sale	—	(3,611,578)	(47,940)	(610,843)	—	(4,270,361)
Effects of foreign exchange	—	284,767	3,094	49,263	—	337,124
Balance, October 31, 2022	—	2,454,486	45,356	407,037	—	2,906,879
Depreciation	**—**	**614,129**	**4,413**	**70,557**	**—**	**689,099**
Transfer to assets held for sale	**—**	**(3,021,463)**	**(2,534)**	**(384,904)**	**—**	**(3,408,901)**
Effects of foreign exchange	**—**	**4,733**	**—**	**—**	**—**	**4,733**
Balance, October 31, 2023	**—**	**51,886**	**47,235**	**92,690**	**—**	**191,810**
Net book value						
Balance, October 31, 2022	5,048,229	4,476,902	23,231	1,552,833	106,893	11,208,088
Balance, October 31, 2023	**5,106,796**	**463,816**	**16,719**	**129,376**	**—**	**5,716,706**

Depreciation expense of $nil [2022 – $337,551] is recorded in the consolidated statements of loss and comprehensive loss within amortization and depreciation. Depreciation expense of $689,099 [2022 – $3,097,962] was allocated to inventories produced, which is included in inventories on the consolidated statements of financial position, and inventories sold in the year, which is recorded within cost of revenue on the consolidated statements of loss and comprehensive loss.

10 Intangible assets

	Domain Name	Trademark	Intellectual property	Total
	$	$	$	$
Cost				
Balance, October 31, 2021	202,264	722,553	1,160,985	2,085,802
Impairment	—	—	(1,160,985)	(1,160,985)
Effects of foreign exchange	10,753	68,205	—	78,958
Balance, October 31, 2022	213,017	790,758	—	1,003,775
Additions	—	—	—	—
Disposals	—	—	—	—
Impairment	—	—	—	—
Effects of foreign exchange	**1,887**	**11,970**	—	**13,857**
Balance, October 31, 2023	**214,904**	**802,728**	—	**1,017,632**
Accumulated amortization				
Balance, October 31, 2021	116,643	177,253	203,172	497,068
Amortization	40,580	55,763	116,099	212,442
Impairment	—	—	(319,271)	(319,271)
Effects of foreign exchange	7,247	17,523	-	24,770
Balance, October 31, 2022	**164,470**	**250,539**	—	**415,009**
Amortization	**41,407**	**57,968**	—	**99,375**
Effects of foreign exchange	**2,066**	**4,763**	—	**6,829**
Balance, October 31, 2023	**207,943**	**313,270**	—	**521,213**
Net book value				
Balance, October 31, 2022	48,547	540,219	—	588,766
Balance, October 31, 2023	**6,961**	**489,458**	—	**496,419**

As of October 31, 2022, the Company made the decision to discontinue production of certain collagen-based products. As a result, the Company recognized an impairment charge of $841,714 relating to its intellectual property, which consisted of acquired recipes and formulations for flavoured collagen water. The impairment charge was recognized in the consolidated statements of loss and comprehensive loss in the line item impairment of assets and restructuring costs.

11 Borrowings

The following table presents the borrowings for the Company:

	October 31, 2023	October 31, 2022
	$	$
Tetra Pak Canada Loan V [a]	**—**	59,099
Tetra Pak Canada Loan VI [a]	**43,667**	99,043
Seawright Mineral Springs Loan [b]	**52,702**	1,851,547
Debt Round [c]	—	—
NFS Leasing Canada Ltd. – Senior Term Loan [d]	**698,661**	—
NFS Leasing Canada Ltd. – Delayed Draw Term Loan [d]	**467,024**	—
NFS Leasing Canada Ltd. – Short-term Loan [d]	**538,319**	
Total current	**1,800,373**	2,009,689
Tetra Pak Canada Loan VI [a]	**—**	43,254
Seawright Mineral Springs Loan [b]	**1,804,423**	—
Debt Round [c]	**8,377,816**	8,167,818
NFS Leasing Canada Ltd. – Senior Term Loan [d]	**12,895,654**	—
NFS Leasing Canada Ltd. – Delayed Draw Term Loan [d]	**4,404,347**	—
Total non-current	**27,482,240**	8,211,072
	29,282,613	10,220,761
Borrowings associated with sale of assets [Note 4]	**—**	3,794,886

[a] Tetra Pak Canada Loans

Tetra Pak Canada Loan V

In January 2020, the Company received USD $712,567 [CAD $946,717] of financing with Tetra Pak Canada ["Tetra"] for the installation of equipment. The loan is secured as a first priority security interest over the equipment. The loan accrues interest at 6.82% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $21,943 [$29,090]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The effective interest rate applicable to this loan is 6.5%. During the year ended October 31, 2023, the Company incurred $312 of interest expense [2022 – $11,975 and the outstanding balance was repaid in full in December 2022.

Tetra Pak Canada Loan VI

On April 13, 2021, the Company received USD $211,047 [$265,612] of financing from Tetra in the form of a Promissory Note to cover the installation cost of equipment. The promissory note is secured by a first priority security interest against the equipment. The promissory note accrues interest at a rate of 5.50% with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $6,373 [$7,829]. The loan is recorded at amortized cost and accounted for using the effective interest rate method. The promissory note has a maturity date of March 1, 2024. During the year ended October 31, 2023, the Company incurred $4,991 of interest expense [2022 – $9,852].

[b] Seawright Mineral Springs Loan

In April 2019, the Company acquired a 144-acre spring in Virginia from Seawright Mineral Springs Limited ["Seawright"]. The Company obtained financing in 2019 with Seawright for the purchase of the spring. The loan accrues interest at 6.25%, maturing on October 31, 2023 with a principal balance of USD $1,440,000 [CAD $1,913,184] with repayment terms consisting of 60 consecutive monthly blended instalments of interest and principal in the amount of USD $9,497 [$12,590] beginning in June 2019. The loan is secured by a first lien on the spring and land.

Amendment to Seawright Mineral Springs Loan

In September, 2023, the Company amended the terms of the Seawright Mineral Springs Loan. The amendments include an extension of the maturity date from October 1, 2023, to October 1, 2026 and an increase to the interest rate from 6.25% per annum to 9.25% per annum with repayment terms consisting of 36 consecutive monthly blended instalments of interest and principal in the amount of USD $11,440.

As part of the Seawright loan amendments, the Company will issue 180,187 subordinate voting shares ["SVS"] purchase warrants [the "Warrants"], each Warrant providing Seawright with the option or right to purchase one SVS at an exercise price of CAD$0.50 until September 30, 2028.

The loan is recorded at amortized cost and accounted for using the effective interest rate method. During the year ended October 31, 2023, the Company incurred $14,311 of interest expense in connection with the amended Seawright mineral Springs Loan.

[c] Debt Round

During the year ended October 31, 2020, the Company issued debt ["2020 Debt"] to individual holders along with the issuance of warrants. The Company issued $9,476,000 of debt and incurred cash transaction costs of $48,270 and finder's fees of $343,200, which were settled through the issuance of stock options. The warrants give the warrant holder the right to purchase SVS. The Company issued 189,520 warrants at an exercise price of $6.75 per warrant and 189,520 warrants at an exercise price of $10.00 per warrant for up to two years from the issuance. These warrants expired in October 2022. The debt is accounted for at amortized cost and using the effective interest rate method. The effective interest rate applicable to this loan is approximately 13%. The debt accrued interest at a rate of 10% and matured in February 2022.

On February 29, 2022, the Company issued $9,476,000 in principal amount of debt ["2022 Debt"] and issued 8,536,942 warrants ["Series C Warrants"] in settlement of the 2020 Debt on maturity to the 2020 Debt holders.

The 2022 Debt matures on February 29, 2024 and accrues interest at 12% per annum, payable monthly. In addition, the 2022 Debt includes an interest rate adjustment clause [the "Interest Adjustment"] whereby the Company is obligated to pay additional interest, on a non-compounding basis, at the rate of 12% per annum at maturity of the 2022 Debt in the event the closing price of the Company's SVS is not equal to or greater than $1.28 for any 10 consecutive trading days between March 1, 2022 and February 29, 2024, and provided that the Series C Warrants remain unexercised.

During the year ended October 31, 2023, the Company incurred $2,079,536 of interest expense, [2022 – $481,169].

The Series C Warrants have an exercise price of $1.11 with an expiration date of February 28, 2025. The expiry date of the Series C Warrants may be accelerated by the Company if, after the issue date, the volume weighted average price of the Company's Subordinate Voting Shares is at a price equal to or greater than $1.28 for a period of 10 consecutive trading days. The new expiry date would be the date that is not less than 20 days following the date upon which the Company issues notices to all holders of the Series C Warrants.

The Company determined that the Interest Adjustment meets the definition of an embedded derivative that is required to be separated as it is not closely related to the host debt instrument. Therefore, the Interest Adjustment is separated from the 2022 Debt and is accounted for as a financial liability measured at FVTPL.

The 2022 Debt is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method, and the Series C Warrants are classified as equity and are not remeasured subsequent to initial recognition.

The total fair value of $9,476,000 was allocated to the Interest Adjustment embedded derivative liability, the 2022 Debt and the Series C Warrants.

On issuance, the Company recorded the following amounts:

	$
Interest Adjustment embedded derivative	550,000
2022 Debt	7,650,867
Series C Warrants	1,275,133
	9,476,000

There were no transaction costs incurred.

The fair value of the Interest Adjustment was calculated using the Monte Carlo simulation. The fair value of the Interest Adjustment is classified as Level 3 in the fair value hierarchy. The fair value of the Interest Adjustment was $1,930,324 on the date of extinguishment [2022 - $550,000], resulting in a loss on change in fair value of $1,380,324, recognized through finance expense, net on the consolidated statements of loss and comprehensive loss for the year ended October 31, 2023.

2022 Debt

In September 2023, the Company amended the 2022 Debt such that the maturity date was extended to February 1, 2026 and the interest rate increased from 12% per annum to 14% per annum. All of the 8,536,942 Series C warrants previously issued to the debenture holders were cancelled, and 3,790,400 ['Series D warrants'] were to be issued for every $1,000 principal amount of the debenture at an exercise price of $0.50 such that the number of Series D Warrants issued equals 20% warrant coverage. Each Series D Warrant will expire February 1, 2026. As at October 31, 2023, the warrants pursuant to this amendment had not yet been issued.
The amended agreement cancelled the interest rate adjustment derivative liability.

The amendment was treated as an extinguishment under IFRS 9, with a gain on extinguishment of $2,141,531 recognised in the consolidated statements of loss and comprehensive loss.

The fair value of the 2020 Debt Amendment at the time of issuance was calculated as $8,377,815 based on the discounted cash flows for the 2020 Debt Amendment assuming a 19% discount rate, which was the estimated rate for a similar instrument without warrants issued as part of the transaction. The warrants were not issued as of period end and were recognized as a derivative warrant liability of $707,440 on inception. As at October 31, 2023, the derivative warrant liability was recorded at $432,112, with the difference being recorded in finance expense.

[d] NFS Leasing Canada Ltd. Loans

Senior Term Loan

In December 2022, the Company entered into a 36-month senior secured term loan [the "Senior Term Loan"] with NFS Leasing Canada Ltd. ["NFS"] for up to $20,334,000. The Senior Term Loan is secured by a first priority lien on all Company assets. The Company has initially drawn $15,334,000 and has the ability, subject to certain conditions, to draw an additional $5,000,000 prior to the one-year anniversary of the initial draw. The Company also issued 3,066,880 Series D Warrants.

The Senior Term Loan bears interest at 14% per annum, payable monthly for the first six months. After the first six months, payments of $284,045 comprising principal and interest are payable monthly, with the remaining principal balance due at maturity.

The Series D Warrants have an exercise price of $0.50 with an expiration date of December 30, 2032. The expiry date of the Series D Warrants may be accelerated by the Company if, after the issue date, the volume weighted average price of the Company's Subordinate Voting Shares is at a price equal to or greater than $1.75 for a period of 10 consecutive trading days. The new expiry date would be the date that is not less than 20 days following the date upon which the Company issues notices to all holders of the Series D Warrants.

The Senior Term Loan is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method. The Series D Warrants are classified as equity and are not remeasured subsequent to initial recognition.

The fair value of the Senior Term Loan at the time of issuance was calculated as $14,629,638 based on the discounted cash flows for the Senior Term Loan assuming a 16% discount rate, which was the estimated rate for a similar instrument without warrants issued as part of the transaction. Cash transaction expenses were allocated pro rata, $1,428,066 to the Senior Term Loan and $68,756 to the warrants.

The Senior Term Loan as at October 31, 2023, is as follows:

	$
Principal balance	**15,334,000**
Add (deducts):	
Transaction expenses	**(1,428,066)**
Series D Warrants	**(704,362)**
Interest and accretion	**2,330,160**
Payments	**(1,937,417)**
Balance, October 31, 2023	**13,594,315**
Current	**698,661**
Non-current	**12,895,654**

Delayed Draw Term Loan

On June 30, 2023, the Company drew down the remaining $5,000,000 under the Senior Term Loan [the “Delayed Draw Term Loan”]. The Company received gross proceeds of $4,000,000 and $1,000,000 was deposited into an interest reserve account [the “Reserve Account”]. The Reserve Account is for the benefit of NFS until the earlier of an event of default, the maturity date or upon written approval from NFS for its release. During the quarter ended October 31, 2023, the restricted cash was released, and the company received proceeds of $1,000,000.

The Delayed Draw Term Loan is for a 36-month term and bears interest at a rate of 14.75% per annum.

The Company also issued 1,000,000 warrants [the “Series E Warrants”] to acquire SVS of the Company. The Series E Warrants have an exercise price of $0.50 with an expiration date of June 30, 2033. The expiry date of the Series E Warrants may be accelerated by the Company if, after the issue date, the volume weighted average price of the Company’s SVS is at a price equal to or greater than $1.75 for a period of 10 consecutive trading days. The new expiry date would be the date that is not less than 20 days following the date upon which the Company issues notices to all holders of the Series E Warrants.

The fair value of the Delayed Draw Term Loan at the time of issuance was calculated as $4,783,176 based on the discounted cash flows for the Delayed Draw Term Loan assuming a 16.75% discount rate, which was the estimated rate for a similar instrument without warrants issued as part of the transaction. The Delayed Draw Term Loan was classified as a financial liability at amortized cost and is accounted for using the effective interest rate method. Cash transaction expenses were $nil.

The Senior Term Loan and the Delayed Draw Term Loan contain certain covenants, measured quarterly, based on minimum liquidity values. As at October 31, 2023, the Company is in compliance with its covenants.

The Delayed Draw Term Loan as of October 31, 2023, is as follows:

	$
Principal balance	**5,000,000**
Add (deduct):	
Series E Warrants	**(216,824)**
Interest and accretion	**274,615**
Payments	**(186,420)**
Balance, October 31, 2023	**4,871,371**
Current	**467,024**
Non-current	**4,404,347**

Interim Financing Agreement

On September 22, 2023, the Company entered into an interim financing agreement [“IFA”] with NFS for advances up to $4,536,392 in connection with the purchase and installation of equipment at the Aurora facility. At October 31, 2023, $538,318 had been advanced pursuant to this agreement. The IFA remains in effect until the equipment installation date, after which it will transition into an equipment lease arrangement. During the year ended October 31, 2023, the Company incurred $7,020 of interest expense in connection with the IFA.

12 Share capital

Authorized

The Company has authorized capital of an unlimited number of Multiple Voting Shares, voting at 10 votes per share, and an unlimited number of SVS, voting at one vote per share. Prior to the Amalgamation, Flow Water completed a share consolidation on a five-to-one basis for all issued and outstanding Class A common shares and Class B common shares [the “Flow Consolidation”].

Issued and outstanding

	Multiple Voting Shares		Subordinate Voting Shares		Total
	#	$	#	$	$
Balance, October 31, 2021	6,214,566	1	47,289,961	87,026,833	87,026,834
Share issuance on RSU release	—	—	1,149,760	8,004,089	8,004,089
Share issuance on DSU release	—	—	158,307	155,978	155,978
Balance, October 31, 2022	6,214,566	1	48,598,028	95,186,900	95,186,901
Share issuance on RSU release	—	—	1,714,851	4,931,639	4,931,639
Share issuance on DSU release	—	—	524,094	279,163	279,163
Balance, October 31, 2023	**6,214,566**	**1**	**50,836,973**	**100,397,702**	**100,397,703**

13 Warrants

The Company issued warrants to accompany certain SVS, debt round and convertible debt. Each warrant is exercisable at the option of the holder for one SVS.

The changes in the number of warrants during the periods ended October 31, 2023 and 2022 were as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, October 31, 2021	7,608,658	9.63
Granted during the period	8,536,942	1.11
Expired during the period	(1,299,262)	8.56
Balance, October 31, 2022	**14,846,338**	**4.83**

	Number of warrants	Weighted average exercise price
	#	$
Balance, October 31, 2022	14,846,338	4.83
Granted during the period	4,247,067	0.50
Expired during the period	(6,059,396)	9.98
Cancelled during the period	(8,536,942)	1.11
Balance, October 31, 2023	**4,497,067**	**0.85**

The following table is a summary of the Company's warrants outstanding as at October 31, 2023:

Expiration date	Instruments outstanding #	Weighted average exercise price $
January 5, 2027	250,000	6.75
December 30, 2032	3,066,880	0.50
June 30, 2033	1,000,000	0.50
September 30, 2028	180,187	0.50
	4,497,067	**0.85**

The following table is a summary of the Company's warrants outstanding as at October 31, 2022:

Expiration date	Instruments outstanding #	Weighted average exercise price $
December 29, 2022	64,801	8.25
June 29, 2023	5,994,595	10.00
February 28, 2025	8,536,942	1.11
January 5, 2027	250,000	6.75
	14,846,338	**4.83**

During the year ended October 31, 2023, a total of 180,187 warrants were issued in connection with the September 2023 amendment of the Seawright loan and 3,790,400 warrants are to be issued in connection with the September 2023 amendment of the 2022 Debt Round (note 11).

14 Share-based compensation

[i] Deferred Share Units

The Company granted Deferred Share Units to members of the Board of Directors as part of their compensation in accordance with the Company's Omnibus Incentive Plan, as defined below.

The changes in the number of DSUs during the year ended October 31, 2023, are as follows:

	Number of DSUs #
Balance, October 31, 2021	—
Granted during the period	1,259,055
Settled	(158,307)
Balance, October 31, 2022	1,100,748
Granted during the period	153,983
Settled for cash	(64,288)
Settled through share issuance	(524,094)
Balance, October 31, 2023	**666,349**

During the year ended October 31, 2023, the Company settled 64,288 DSUs for cash consideration of $52,999.

The Company recognized an expense of $116,505 [2022 - $792,136] in share-based compensation expense for the year ended October 31, 2023, related to DSUs issued during the period.

During the year ended October 31, 2023, conditional DSU grants of 293,352 were made to members of the Board of Directors. The DSUs will be granted, subject to availability under the Company's Omnibus Incentive Plan. The estimated fair value may be revised in the subsequent reporting periods based on the final grant date fair value of

the equity instruments awarded. An expense related to conditional DSU grants of $177,750 is recognised in the consolidated statements of loss and comprehensive loss.

[ii] Restricted Share Units

On December 31, 2020, the Board of Directors approved a Restricted Share Unit Plan ["RSU Plan"] for the Company. The RSU Plan provides for the issuance of RSUs to retain qualified personnel, employees, advisors and contractors in order to align their interests with those of the Company's shareholders. Vested RSUs are settled with SVS.

During the year ended, the Board of Directors approved grants of 3,356,639 [2022 – 192,195] RSUs to various members of management and the Board of Directors with a grant value of $0.23 – $0.44 [2022 – $0.62 – $1.55] per unit. The RSUs vest over various periods from immediately to pro rata over 36 months.

During the year ended October 31, 2023, the Board of Directors conditionally approved grants of 7,720,450 RSUs to various members of senior management, of which 692,479 were forfeited during the year. The RSUs will be unconditionally granted, subject to availability under the Company's omnibus Incentive Plan. The estimated fair value may be revised in the subsequent reporting periods based on the final grant date fair value of the equity instruments awarded. An expense related to conditional RSU grants of $704,594 is recognised in the consolidated statements of loss and comprehensive loss.

During the year ended October 31, 2023, the Company recorded $2,062,361 [2022 – $4,898,467] of share-based compensation associated with the vested portion of the RSUs.

The changes in the number of RSUs during the year ended October 31, 2023 are as follows:

	Number of RSUs #
Balance, October 31, 2021	1,932,151
Granted during the period	192,195
Forfeited during the period	(327,770)
Share issuance on RSU release	(1,149,760)
Balance, October 31, 2022	646,816
Granted during the period	**3,356,639**
Forfeited during the period	**(50,837)**
Share issuance on RSU release	**(1,714,851)**
Balance, October 31, 2023	**2,237,767**

[iii] Share options

In January 2017, the Company established a stock option plan [the "Legacy Option Plan"] for the Company's directors, officers, advisors, employees and contractors. The Legacy Option Plan automatically terminates 10 years after its adoption by the Board of Directors. Under the Legacy Option Plan, the options generally vest immediately or equally monthly between 12 months and 48 months from the date of grant and generally have a maximum contractual life of 10 years or less. The exercise price of options is determined by the Board of Directors. Under the Legacy Option Plan, options are generally granted with a strike price no less than the fair value of the underlying common shares at the date of the grant.

In connection with the Amalgamation completed on June 29, 2021, the Legacy Option Plan was amended such that no further awards can be made under the Legacy Option Plan. In connection with the Amalgamation, the Company adopted an omnibus incentive plan [the "Omnibus Incentive Plan"], which allows for the Board of Directors to grant long-term equity-based awards, including SVS purchase options, RSUs and DSUs to the eligible directors, officers, employees, and consultants of the Company and its subsidiaries in accordance with the terms of the Omnibus Incentive Plan. The Company's Governance, Human Resources and Compensation Committee makes recommendations to the Board of Directors in respect of matters relating the Omnibus Incentive Plan. The Board of Directors has the discretion and authority to determine, among other things, the vesting schedule of share options and the settlement periods of RSUs or DSUs issued under the Omnibus Incentive Plan.

In respect of options held by US persons only, pursuant to the terms of the Legacy Option Plan, each outstanding option immediately prior to the effective time of the Amalgamation entitles each holder of an option that is a US person to receive upon exercise of an option that number of SVS that such option would be entitled to had the holder of the option exercised the option [taking into account the Flow Consolidation] immediately prior to the Amalgamation.

Each option held by persons other than US. persons, outstanding immediately prior to the effective time of the Amalgamation was exchanged for an option issued by the Company to purchase Subordinate Voting Shares in accordance with the Omnibus Incentive Plan.

The maximum number of SVS reserved and available for grant and issuance pursuant to the Omnibus Incentive Plan shall not exceed 15% of the total issued and outstanding SVS on a non-diluted basis.

During the year ended October 31, 2023, the Company recorded $65,488 [2022 – $616,796] of share-based compensation associated with the vested portion of the share options issued under the Legacy Option Plan and the Omnibus Incentive Plan.

The changes in the number of share options during the twelve months ended October 31, 2023 and 2022 were as follows:

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Options outstanding, beginning of period	**2,999,491**	**5.61**	3,178,358	5.59
Options cancelled/forfeited	**(1,199,917)**	**5.91**	(178,867)	5.39
Options expired	**(312,796)**	**6.29**	—	—
Options outstanding – October 31	**1,486,778**	**5.22**	2,999,491	5.61
Options exercisable – October 31	**1,486,778**	**5.22**	2,967,316	5.59

No options were granted during the periods ended October 31, 2023 and 2022.

The following table is a summary of the Company's share options outstanding as at October 31, 2023:

Options outstanding			**Options exercisable**	
Exercise price	**Number outstanding**	**Weighted average remaining contractual life [years]**	**Weighted average exercise price**	**Number exercisable**
$	**#**	**#**	**$**	**#**
1.50	138,667	3.18	1.50	138,667
2.50	392,884	3.18	2.50	392,884
5.00	5,000	3.18	5.00	5,000
6.55	209,243	3.18	6.55	209,243
6.60	115,593	3.18	6.60	115,593
6.65	49,062	3.18	6.65	49,062
6.70	22,742	3.18	6.70	22,742
6.75	349,737	3.18	6.75	349,737
6.85	5,000	3.18	6.85	5,000
6.95	10,000	3.18	6.95	10,000
7.00	76,000	3.18	7.00	76,000
8.25	112,850	3.18	8.25	112,850
5.22	1,486,778	3.18	5.22	1,486,778

The following table is a summary of the Company's share options outstanding as at October 31, 2022:

Options outstanding			**Options exercisable**	
Exercise price $	**Number outstanding** #	**Weighted average remaining contractual life [years]** #	**Weighted average exercise price** $	**Number exercisable** #
1.50	146,001	4.18	1.50	146,001
2.50	636,000	4.18	2.50	636,000
5.00	5,000	4.18	5.00	5,000
6.55	916,554	4.18	6.55	894,512
6.60	250,099	4.18	6.60	250,010
6.65	275,624	4.18	6.65	275,624
6.70	22,742	4.18	6.70	22,742
6.75	471,432	4.18	6.75	466,730
6.85	5,000	4.18	6.85	5,000
6.95	10,000	4.18	6.95	10,000
7.00	76,000	4.18	7.00	76,000
8.25	185,039	4.18	8.25	179,697
5.61	2,999,491	4.18	5.59	2,967,316

During the year-ended October 31, 2023, a total of 1,199,917 stock options were cancelled. For options deemed cash settled, $104,375 was reclassified from contributed surplus to other non-current liabilities.

15 Loss per share

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the year ended October 31, 2023, was 55,723,267, [2022 – 54,125,009].

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of share options, RSUs, DSUs and warrants, given the Company was in a net loss position during those periods. The outstanding number and type of securities that could potentially dilute basic net income per share in the future but would have decreased the loss per share [anti-dilutive] for the periods ended October 31, presented are as follows:

	2023 #	2022 #
Stock options	**1,486,778**	2,999,491
RSUs	**2,237,767**	646,816
DSUs	**666,349**	1,100,748
Warrants	**4,497,067**	14,846,338
	8,887,961	19,593,393

The amount does not include the conditional DSUs and RSUs in the amount of 7,321,363.

16 Disaggregation of revenue

The Company derives its revenue primarily from two main sources: the sale of packaged water and co-packing services.

The following table represents disaggregation of revenue for the years ended October 31.

	2023 **$**	2022 $
Packaged water	**45,367,415**	34,390,402
Co-packing services	**12,970,021**	20,673,464
Gross revenue	**58,337,436**	55,063,866
Less:		
Discounts	**(1,513,320)**	(1,561,794)
Trade spend	**(10,148,977)**	(6,381,887)
Net revenue	**46,675,139**	47,120,185

17 Income taxes

The reconciliation of income tax expense for the years ended October 31 consists of the following:

	2023 **$**	2022 $
Loss before income taxes	**(42,974,196)**	(47,707,334)
Statutory tax rate	**26.5%**	26.50%
Expected income tax recovery at the statutory tax rate	**(11,388,162)**	(12,642,444)
Non-deductible items	**142,573**	2,173,063
Change in estimates and others	**687,046**	(2,514,966)
Tax rate differences	**1,734,663**	(1,704,859)
Deferred tax related to prior years	**331,879**	(470,124)
Change in deferred tax assets not recognized	**8,492,001**	15,159,330
Income tax expense	**—**	—

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits.

	2023 **$**	2022 $
Deferred income tax assets (liabilities)		
Non-capital loss carry forward	**69,078,872**	65,838,884
Leases	**(404,781)**	(423,698)
Capital assets	**(247,877)**	(5,472,402)
Financing fees	**(242,962)**	(233,529)
Other	**211,653**	193,649
Total deferred tax assets	**68,394,905**	59,902,904
Unrecognized deferred tax asset	**(68,394,905)**	(59,902,904)
Non-capital loss carry forward	**—**	—

The Company has non-capital loss carry forwards of approximately $260,305,000, which may be used to reduce taxable income in the future. If not utilized, certain of these losses by jurisdiction will expire as follows:

	Canada	United States	Total
	$	$	$
2032	1,168,000	—	1,168,000
2033	2,250,000	—	2,250,000
2034	1,540,000	—	1,540,000
2035	6,359,000	—	6,359,000
2036	9,848,000	—	9,848,000
2037	23,587,000	—	23,587,000
2038	19,981,000	7,547,000	27,528,000
2039	5,354,000	33,562,000	38,916,000
2040	7,428,000	28,174,000	35,602,000
2041	10,453,000	43,784,000	54,237,000
2042	11,080,000	26,946,000	38,026,000
2043	21,244,000	—	21,244,000
	120,292,000	**140,013,000**	**260,305,000**

18 Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these Financial Statements.

19 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the years ended October 31, is as follows:

	2023	2022
	$	$
Salaries, bonuses and benefits	**2,245,538**	2,755,308
Share-based compensation	**1,849,668**	5,564,522
	4,095,206	8,319,830

During the year ended October 31, 2023, the Company purchased $995,617 [2022 – $307,500] of consulting services from related parties. This amount is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. As at October 31, 2023, the Company had an outstanding balance of $433,140 [2022 – $nil] recorded in trade and other payables.

20 Capital management

The Company's capital management objectives are to maintain financial flexibility to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings.

Total managed capital is as follows:

	October 31, 2023	October 31, 2022
	$	$
Borrowings	**29,282,613**	10,220,761
Share capital	**100,397,703**	95,186,901
	129,680,316	105,407,662

The Company manages its capital structure in accordance with changes in economic conditions. To maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

21 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company assesses the creditworthiness of customers who wish to trade on credit terms. As at October 31, 2023, the Company had two customers [2022 – two customers] that owed the Company more than 10% of the outstanding receivable balance and accounted for 40% [2022 – 23%] of total trade receivables outstanding.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables as at October 31 is as follows:

	2023	**2022**
	$	**$**
Current	**2,033,658**	3,326,958
1-30 days past due	**3,785,617**	1,382,980
31-60 days past due	**845,154**	301,220
Greater than 60 days past due	**4,557,503**	4,428,118
Total trade receivables	**11,221,931**	9,439,276
Less allowance for doubtful accounts	**2,778,186**	1,615,409
	8,443,745	7,823,867

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at October 31, 2023, trade and other receivables includes $2,546,550 of government remittances recoverable [2022 – $4,077,392].

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these Financial Statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition costs, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at October 31, 2023:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	$	$	$	$	$	$	$
Trade and other payables	23,746,927	23,746,927	—	—	—	—	23,746,927
Lease obligations [note 8]	136,784	134,832	—	—	—	—	134,832
Lease obligations [note 4]	6,584,901	2,386,927	1,335,698	1,902,279	728,720	1,714,579	8,068,203
Borrowings [note 11]	29,282,613	6,263,857	12,804,783	21,526,063	—	—	40,594,702
	59,751,225	32,532,543	14,140,481	23,428,342	728,720	1,714,579	72,544,664

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from US dollar and UK pound denominated cash, trade and other receivables, and trade and other payables in entities whose functional currency is other than the currency in which these financial instruments are denominated.

A change of 1% in foreign currency exchange rates would not have a significant impact on the results of operations. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in the Company's operating results.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at October 31, 2023 as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at October 31, 2023.

Fair values

The carrying values of cash, trade and other receivables, trade and other payables and borrowings approximate fair values due to the short-term nature of these items or being carried at fair value or, for borrowings, interest payables are close to the current market rates. The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- 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 in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

22 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ["CODM"] to make operating and resource decisions, and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The following tables present details on revenue derived from property and equipment domiciled in the following geographical locations as at and for the years ended October 31, 2023 and October 31, 2022.

Revenue for the years ended October 31, consist of the following:

	2023	2022
	$	$
Canada	**27,168,333**	23,514,564
United States	**19,506,806**	23,605,621
Total	**46,675,139**	47,120,185

Property and equipment as at October 31, consist of the following:

	2023	2022
	$	$
Canada	**2,021,901**	7,444,560
United States	**3,694,805**	3,763,528
Total	**5,716,706**	11,208,088

Right-of-use assets as at October 31, consist of the following:

	2023	2022
	$	$
Canada	**116,637**	10,430,353

Intangible assets as at October 31, consist of the following:

	2023	2022
	$	$
Canada	**3,959**	32,085
United States	**492,460**	556,681
Total	**496,419**	588,766

23 Finance expense, net

Finance expense for the years ended October 31, 2023 and 2022 consists of the following:

	2023	2022
	$	$
Interest on lease obligations	**552,039**	1,519,212
Interest on borrowings	**4,823,723**	2,868,776
Loss on change in fair value of derivative liability	**88,076**	1,292,248
Gain on debt extinguishment	**(2,141,531)**	—
Total	**3,322,307**	5,680,236

24 Impairment of assets and restructuring costs

During the year ended October 31, 2023, the Company recorded $1,013,917 related to organizational restructuring costs (October 31, 2022 - $278,500) and $549,662 related to severance and other employee benefits paid to previous senior executives (October 31, 2022 - $597,094).

During the year ended October 31, 2022, the Company recognized an impairment of $841,714 related to the Company's intangible assets.

25 Subsequent events

Subsequent to October 31, 2023, 3,790,400 warrants were issued in connection with the September, 2023 amendment of the 2022 Debt Round (note 11).

On November 15, 2023, the Company obtained an advance of $5,150,000, pursuant to the terms of the December 29, 2022, Senior Term Loan with NFS Leasing Canada Ltd, as amended and restated on November 15, 2023 and as further amended and restated on January 23, 2024. Under the terms of the loan, the company shall pay a finance fees of $103,000 during the first six month of the Interest only period and fifty-four consecutive equal monthly installments of principal and interest on the first day of each month in the amount of $129,083.09. The Company expects to repay the loan by no later than March 1, 2025, but will have to pay a loan continuation fee of $3,000,000 if repayment of the loan is not made in full by that date. The interest rate for the loan, after the finance fee only period is fourteen percent 14.00% per annum. 2,060,000 warrants ("Series F Warrants"), with an exercise price of $0.40 and an expiry date of November 15, 2033, were issued pursuant to the loan agreement.

On December 1, 2023, following confirmation by the Company to NFS Leasing Ltd. on November 7, 2023 of delivery and acceptance of the equipment, the IFA with NFS Leasing Canada Ltd. matured and was converted to an 84-month financing lease agreement with NFS Leasing Canada Ltd. for the purchase of the Tetra Pak equipment with the amount financed of $3,175,475 exclusive of tax. The lease is secured by a first priority security interest in the equipment. Upon the final payment the Company has an option to purchase the equipment for $1.

On December 1, 2023, the Company entered into an interim financing loan agreement (the "IFLA") with NFS Leasing Ltd. for the financing of certain alcohol production equipment to be purchased by the Company from Simmtech Process Engineering Ltd. ("Simmtech"). Upon delivery by Simmtech and acceptance by the Company of the equipment, the IFLA will convert into an 84-month financing lease agreement with NFS Leasing Canada Ltd. for the purchase of Equipment with the amount financed of $3,917,900 exclusive of tax. The lease will be secured by a first priority security interest in the equipment. Upon the final payment the Company has an option to purchase the equipment for $1.