



# HERBAL DISPATCH INC.

**Condensed Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2023**  
(Expressed in Canadian dollars)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of unaudited interim consolidated financial statements and are in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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## Herbal Dispatch Inc.

### Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(expressed in Canadian dollars)

	<u>March 31</u> <u>2023</u>	<u>December 31</u> <u>2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 598,559	\$ 1,203,594
Trade and other receivables	354,548	456,287
Prepaid expenses and deposits	104,013	65,934
Inventory	576,147	388,283
Total current assets	<u>1,633,267</u>	<u>2,114,098</u>
Long-term assets		
Property, plant & equipment	71,512	73,890
Intangible assets	3,279,438	3,342,463
Right of use asset (Note 3)	610,153	-
Investments	199,012	199,012
Loan receivable	462,834	464,237
Goodwill	1,748,458	1,748,458
<b>Total assets</b>	<b><u>\$ 8,004,674</u></b>	<b><u>\$ 7,942,158</u></b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 606,015	\$ 551,785
Acquisition consideration payable	121,950	141,870
Deferred revenue	92,064	-
Income taxes payable	39,404	39,524
Current portion of right of use lease (Note 3)	96,190	-
Loans payable (Note 4)	476,746	474,864
Total current liabilities	<u>1,432,369</u>	<u>1,208,043</u>
Long-term liabilities		
Right of use lease (Note 3)	519,919	-
Loans payable (Note 4)	461,730	457,033
Total liabilities	<u>2,414,018</u>	<u>1,665,076</u>
Shareholders' equity		
Share capital (Note 5)	76,744,245	76,744,245
Contributed surplus	3,614,977	3,614,977
Accumulated other comprehensive loss	(820,089)	(819,430)
Deficit	(73,948,477)	(73,262,710)
Total shareholders' equity	<u>5,590,656</u>	<u>6,277,082</u>
<b>Total liabilities and shareholders' equity</b>	<b><u>\$ 8,004,674</u></b>	<b><u>\$ 7,942,158</u></b>

## Herbal Dispatch Inc.

### Condensed Interim Consolidated Statements of Operations

(unaudited)

(expressed in Canadian dollars)

	For the three months ended	
	<b>March 31 2023</b>	<b>March 31 2022</b>
Revenue:		
Sales	\$ 383,101	\$ 19,832
Excise duties	(87,783)	-
Net Revenue:	<u>295,318</u>	<u>19,832</u>
Cost of sales	<u>266,128</u>	<u>37,790</u>
Gross profit	29,190	(17,958)
Expenses:		
General and administration (Note 10)	459,931	363,749
Selling and marketing (Note 10)	143,104	59,285
Share based compensation (Note 7)	-	5,813
Depreciation & amortization	89,273	46,957
	<u>692,308</u>	<u>475,804</u>
Loss from operations	<u>(663,118)</u>	<u>(493,762)</u>
Other expenses (income)		
Interest and other	14,338	(33,903)
Loss on investments	-	4,487
Loss on foreign exchange	1,733	91,319
Accretion expense	6,578	1,881
	<u>22,649</u>	<u>63,784</u>
<b>Net loss</b>	<b>(685,767)</b>	<b>(557,546)</b>
Other comprehensive loss		
Currency translation adjustment	<u>(659)</u>	<u>(38,197)</u>
Comprehensive loss	<u>\$ (686,426)</u>	<u>\$ (595,743)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	613,547,725	431,539,032

**Herbal Dispatch Inc.**  
**Consolidated Statements of Shareholders' Equity**

(unaudited)  
 (expressed in Canadian Dollars)

	Common Shares		Contributed Surplus	Accumulated other comprehensive loss	Deficit	Shareholder's Equity
	Number	\$	\$	\$	\$	\$
<b>Balance, December 31, 2021</b>	<b>431,539,032</b>	<b>72,709,115</b>	<b>3,244,154</b>	<b>(822,143)</b>	<b>(68,647,709)</b>	<b>6,483,417</b>
Shares issued	983,500	14,752				14,752
Share issued - acquisition	301,025,193	4,020,378	374,064			4,394,442
Share based compensation			(3,241)			(3,241)
Currency Translation Adjustment				2,713		2,713
Net Loss for the Period					(4,615,001)	(4,615,001)
<b>Balance, December 31, 2022</b>	<b>733,547,725</b>	<b>76,744,245</b>	<b>3,614,977</b>	<b>(819,430)</b>	<b>(73,262,710)</b>	<b>6,277,082</b>
Currency translation adjustment	-	-	-	(659)	-	(659)
Net loss for the period	-	-	-	-	(685,767)	(685,767)
<b>Balance, March 31, 2023</b>	<b>733,547,725</b>	<b>76,744,245</b>	<b>3,614,977</b>	<b>(820,089)</b>	<b>(73,948,477)</b>	<b>5,590,656</b>

## Herbal Dispatch Inc.

### Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(expressed in Canadian Dollars)

	For the three months ended	
	<b>March 31 2023</b>	<b>March 31 2022</b>
Cash provided by (used for):		
<b>Operating activities:</b>		
Net loss for the period	\$ (685,767)	\$ (557,546)
Items not affecting cash:		
Share based compensation	-	5,813
Depreciation & amortization	89,273	46,957
Loss on investments	-	4,487
Loss on foreign exchange	1,733	91,319
Accretion expense	6,578	1,881
Changes in non-cash working capital balances:		
Trade and other receivables	101,670	(32,052)
Prepaid expenses and deposits	(38,079)	1,236
Inventory	(187,864)	4,067
Accounts payable and accrued liabilities	146,341	(135,972)
Cash used in operating activities	<u>(566,115)</u>	<u>(569,810)</u>
Investing activities:		
Purchase of property, plant and equipment	<u>(2,830)</u>	<u>-</u>
Cash used in investing activities	<u>(2,830)</u>	<u>-</u>
Financing activities:		
Repayment of acquisition consideration payable	(19,920)	-
Repayment of right of use lease liability	<u>(15,083)</u>	<u>(47,955)</u>
Cash used in financing activities	<u>(35,003)</u>	<u>(47,955)</u>
Decrease in cash and cash equivalents	(603,948)	(617,765)
Effect of exchange rate changes on cash	(1,087)	(78,840)
Cash and cash equivalents, beginning of period	<u>1,203,594</u>	<u>3,880,602</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 598,559</u></b>	<b><u>\$ 3,183,997</u></b>

## HERBAL DISPATCH INC.

### Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

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#### Note 1 – Nature of Operations and Going Concern

Herbal Dispatch Inc. (formerly Luff Enterprises Ltd.) (“Herbal Dispatch” or the “Company”) owns and operates leading cannabis e-commerce platforms and is dedicated to providing top quality cannabis to informed consumers at affordable pricing. The Company’s flagship cannabis marketplace, Herbal Dispatch, is a trusted source for exclusive access to small-batch craft cannabis flower and a wide-array of other product formats.

The Company was incorporated under the Business Corporations Act (British Columbia) on May 30, 2013 under the name Ascent Industries Corp. (“Ascent”). On May 15, 2020 the Company changed its name to Luff Enterprises Ltd. and on January 20, 2023, the Company changed its name to Herbal Dispatch Inc. The Company’s head office and principal address is located at Suite 1750 – 1055 West Georgia Street, Vancouver, BC V6E 3P3.

The common shares of the Company trade on the Canadian Securities Exchange (the “Exchange”) under the trading symbol “**HERB**”.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In the three months ended March 31, 2023, the Company incurred a net loss of \$685,767 (\$557,546 in the three months ended March 31, 2022). However, the Company had a positive cash position of \$598,559 and positive working capital of \$200,898 as at March 31, 2023. The continuation of the Company as a going concern will be dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing. The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

#### Note 2 – Basis of Preparation

##### a) Statement of compliance and basis of presentation

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB.

The unaudited interim consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2023.

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2022.

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.



**HERBAL DISPATCH INC.**

## Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

**Note 2 – Basis of Preparation, continued**b) Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, National Green Biomed Ltd., Rosebud Productions Inc., Coco Pure Beverage Corp., 1192515 BC Ltd., Agrima Botanicals Corp., Pinecone Products Ltd., Wholesome Enterprises Corp., West Fork Holdings Inc., West Fork Holdings NV Inc., Sweet Cannabis Inc., Luff Enterprises LLC., and Wholesome Holdings Inc. All inter-company balances and transactions have been eliminated on consolidation.

**Note 3 - Obligations Under Right-of-Use Lease**

Effective February 1, 2023, the company entered into a new five-year lease agreement for a property, which resulted in a right of use asset and liability of \$631,193 being recognized. The Company recognizes its obligations under the right of use lease at the present value of future lease payments due. The obligations under the right of use lease at March 31, 2023 incurs interest at an annual rate of 8.7% per annum and is repayable in current monthly blended principal and interest payments of \$12,091, and maturing in January 2028. The lease liability corresponds with a right of use asset with a net book value of \$610,153 at March 31, 2023 (December 31, 2022 - \$nil).

Future minimum lease payments required over the five years for the obligations under the right of use lease were as follows:

	March 31 2023 \$	December 31 2022 \$
Within one year	146,050	-
Thereafter	615,766	-
<b>Total minimum lease payments</b>	<b>761,816</b>	<b>-</b>
Less: amount representing interest	145,707	-
Present value of minimum lease payments	616,109	-
Less: current portion	96,190	-
	<b>519,919</b>	<b>-</b>

**HERBAL DISPATCH INC.**

## Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

**Note 4 – Loans Payable**

	March 31 2023 \$	December 31 2022 \$
Debenture A	436,746	434,864
Debentures B	461,730	457,033
CEBA loan	40,000	40,000
	<b>938,476</b>	981,897
Less: current portion	<b>(476,746)</b>	(474,864)
	<b>461,730</b>	457,033

**Debenture A**

The Company has an outstanding unsecured convertible debenture in the principal amount of \$438,000 (the “Debenture A”) owing to a company controlled by a director and shareholder of the Company. The Debenture A matures on May 15, 2023 and is convertible into 17,520,000 Common shares of the Company at the election of the shareholder at any time, and at the Company’s election, during any period where the 20-day weighted average trading price of the Company’s common shares is \$0.10 or greater. Subsequent to March 31, 2023, the terms of the Debenture A were amended with the maturity date extended to May 23, 2024 (see *Subsequent Events*).

The Debenture A was discounted to its net present value using a coupon rate of 6% and a yield rate of 8%. The original debt discount balance of \$22,576 is being amortized over the term of the note using the effective interest rate.

**Debentures B**

In August 2022, the Company issued convertible debentures (the “Debentures B”) with a principal amount of \$500,000 in conjunction with the acquisition of the National Green Biomed group of companies (“NG Biomed”). The Debentures B have an annual coupon rate of 10% per annum, payable monthly, and mature on December 31, 2024, the Debentures B are also convertible, at the holder’s option, into common shares of the Company at \$0.025 per share, and at the Company’s election, during any period where the trading price of the Company’s common shares is \$0.05 or greater for a period of 20 consecutive trading days. The Debentures B were discounted to their net present value using a coupon rate of 10% and a yield rate of 15%. The original debt discount balance of 48,964 is being amortized over the term of the debentures using the effective interest rate.

**CEBA loan**

In conjunction with the NG Biomed acquisition, the Company assumed a loan received from the Canada Emergency Business Account (“CEBA”). The CEBA loan bears no interest until January 1, 2024 and then at 5.0% per annum thereafter. The CEBA loan matures on December 31, 2025. Assuming the CEBA loan is repaid prior to December 31, 2023, the Company anticipates that a portion of the CEBA loan will be forgiven. The Company has recorded the CEBA loan at \$40,000, representing its original issue amount of \$60,000 less expected loan forgiveness amount of \$20,000 as the Company expects to repay the CEBA loan prior to December 31, 2023.

**HERBAL DISPATCH INC.**

## Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

**Note 5 – Share Capital**

<i>Authorized – Unlimited common shares with no par value</i>	Number of shares	Amount \$
Issued and outstanding at December 31, 2022	733,547,725	76,744,245
Activity during the three months ended March 31, 2023:	-	-
<b>Issued and outstanding at March 31, 2023</b>	<b>733,547,725</b>	<b>76,744,245</b>

Included in the issued and outstanding common shares at March 31, 2023 were 120,000,000 common shares held in escrow that were issued in conjunction with an acquisition in 2022. These shares will be distributed following the achievement of certain revenue related milestones during the four-year period ending August 31, 2026, as follows:

- 30,000,000 common shares of Herbal Dispatch upon gross sales in Canada reaching \$300,000 in a three-month consecutive period;
- 40,000,000 common shares of Herbal Dispatch upon gross sales in Canada reaching \$750,000 in a three-month consecutive period; and
- 50,000,000 common shares of Herbal Dispatch upon gross sales in Canada reaching \$1,500,000 in a three-month consecutive period.

Subsequent to March 31, 2023, 30,000,000 common shares were released from escrow upon Herbal Dispatch achieving gross sales in Canada exceeding \$300,000 in a three-month consecutive period.

**Note 6 – Share Purchase Warrants**

	Amount	Weighted Average Exercise Price per Share \$
Balance as at December 31, 2022	33,828,001	0.068
Warrants issued	-	-
<b>Balance as at March 31, 2023</b>	<b>33,828,001</b>	<b>0.068</b>

The following table summarizes the warrants that were outstanding as at March 31, 2023:

Exercise Price	Number of Warrants	Expiry Date
\$0.05	27,656,000	October 26, 2024
\$0.15	6,172,001	December 31, 2023

## HERBAL DISPATCH INC.

### Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

#### Note 7 – Share-Based Compensation

The Company has adopted a stock option plan and a restricted share unit (“RSU”) plan for the benefit of its directors, officers, employees and other key personnel. The stock option plan provides that the option terms and price shall be fixed by the directors subject to the price restrictions and other requirements of the Exchange. Common shares reserved for issuance pursuant to the RSU plan and the stock option plan, on a combined basis, shall not exceed 10% of the Company’s issued and outstanding common shares, from time to time.

#### Stock options

The Company recorded the following activity related to stock options during the nine months ended March 31, 2023:

	Amount	Exercise Price per Share \$
Balance, December 31, 2022	400,000	0.02
Stock options activity	-	-
<b>Balance, March 31, 2023</b>	<b>400,000</b>	<b>0.02</b>

The outstanding 400,000 stock options expire on July 28, 2025. Of this amount, 300,000 stock options were vested and exercisable at March 31, 2023.

There were no restricted shares outstanding at March 31, 2023 or December 31, 2022.

#### Note 8 – Segmented Information

The Company generates revenue in one reportable segment: cannabis and cannabis related products, and its activities were conducted in two geographic locations: Canada and the United States. All activities in both geographical locations are related to cannabis and cannabis related products and all material assets and liabilities are related to cannabis and cannabis related products. In the comparative period ended March 31, 2022, the Company only generated revenue in the United States. The Company expanded its sales into Canada in September 2022 following the acquisition of NG Biomed.

Selected financial information by geographic location is disclosed as follows:

	Three months ended	
	March 31 2023 \$	March 31 2022 \$
<b>Net revenue</b>		
Canada	<b>295,318</b>	-
United States	-	19,832
	<b>295,318</b>	19,832

**HERBAL DISPATCH INC.**

## Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

**Note 8 – Segmented Information, continued**

The Company did not generate any revenue in the United States during the three months ended March 31, 2023 and has discontinued sales in that jurisdiction. As at March 31, 2023 and December 31, 2022, all of the Company's property, plant and equipment, intangible assets and goodwill were located in Canada.

**Note 9 – Related Party Transactions**

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

	Three months ended	
	March 31 2023	March 31 2022
	\$	\$
Salaries, benefits and management fees	78,070	76,443
Directors' fees	30,000	24,000
Stock based compensation	-	5,813
<b>Total compensation to key management</b>	<b>108,070</b>	<b>106,256</b>

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the respective reporting periods.

During the three months ended March 31, 2023, the Company incurred interest expense of \$6,568 (three months ended March 31, 2022 - \$6,568), related to a convertible debenture owing to a director and shareholder of the Company.

**Note 10 – Operating Expenses**

	March 31 2023	March 31 2022
	\$	\$
<b>General and Administrative</b>	<b>459,931</b>	<b>363,749</b>
Personnel	266,218	191,878
Professional service fees	134,899	125,627
Other operating expenses	58,814	46,244
<b>Sales and Marketing</b>	<b>143,104</b>	<b>59,285</b>
Advertising, promotions and selling costs	100,604	59,285
Personnel	42,500	-

## HERBAL DISPATCH INC.

### Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

#### Note 11 – Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development. The Company's capital consists of items included in shareholders' equity and debt, which was as follows:

	March 31 2023 \$	December 31 2022 \$
Current portion of loans payable	476,746	474,864
Loans payable	461,730	457,033
Funded debt	938,476	931,897
Shareholders' equity	5,590,656	6,277,082
Total capital	6,529,132	7,208,979

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements.

#### Note 12 – Financial Instruments

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, trade and other receivables, investments, loan receivable, trade and other payables, right of use lease liabilities, and loans payable.

##### *Fair value*

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

**HERBAL DISPATCH INC.**

## Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

**Note 12 – Financial Instruments, continued**

Fair value measurements of investments, loan receivable, and loans payable are as follows:

	Carrying Amount	Fair Value Measurements		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
<b>March 31, 2023</b>				
Investments	199,012	-	-	199,012
Loan receivable	462,834	-	-	462,834
Loans payable	938,476	-	938,476	-
<b>December 31, 2022</b>				
Investments	199,012	-	-	199,012
Loan receivable	464,237	-	-	464,237
Loans payable	931,897	-	931,897	-

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

As at March 31, 2023 and December 31, 2022, the Company measured its loans payable at Level 2 fair value as there is no active market for these items.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The loan receivable and investment in Enhanced Pet Sciences Corp. (“EPS”) is measured at fair value, but as the investment is privately held and there is no quoted market price for its common shares, fair value was estimated using Level 3 inputs.

There were no transfers between levels 1, 2 and 3 inputs during the three months ended March 31, 2023.

**Risk Management**

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

## HERBAL DISPATCH INC.

### Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

## Note 12 – Financial Instruments, continued

### **Credit Risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. Trade and other receivables primarily consist of trade accounts receivable and Goods and Services Tax recoverable (“GST”).

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of sales are transacted with credit cards.

The Company is exposed to significant credit risk associated with its loan receivable from EPS. At March 31, 2023, EPS was in default of the loan receivable and the loan is now past due. The Company continues to work with EPS to obtain a mutually satisfactory settlement of the outstanding balance.

### **Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument and associated cash flows might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company has obtained primarily fixed rate debt which limits its exposure to interest rate fluctuations.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At March 31, 2023 the undiscounted contractual obligations related to financial liabilities were as follows:

	Less than 1 year \$	1-5 Years \$	Total \$
Accounts payable and accrued liabilities	606,015	-	<b>606,015</b>
Acquisition consideration payable	121,950	-	<b>121,950</b>
Loans payable	478,000	500,000	<b>978,000</b>
Right of use lease	146,050	615,766	<b>761,816</b>

### **Foreign Currency Risk**

The Company is exposed to foreign currency risk in relation to its loan receivable and a portion of its cash and cash equivalents, which are denominated in USD. Based on the balances of cash and loan receivables denominated in USD at March 31, 2023, a 5% increase or decrease in the exchange rate would result in a foreign currency gain or loss of \$31,100. As at March 31, 2023, the Company held cash and cash equivalents denominated in USD of USD \$118,024.



## HERBAL DISPATCH INC.

### Notes to the Consolidated Interim Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars)

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#### Note 13 – Subsequent Events

- In April 2023, the Company completed the acquisition of certain assets related to the Golden Spruce cannabis brand. The Company issued 2,250,000 common shares in consideration for the acquisition. An additional 750,000 common shares are contingently issuable should certain future revenue targets be achieved from the sale of Golden Spruce branded cannabis products.
- In conjunction with the acquisition of NG biomed in August 2022, the Company agreed to pay cash consideration of up to \$224,370 to certain shareholders of NG Biomed that had a right of rescission related to their investment in NG Biomed. This rescission right expired on March 31, 2023. On May 2, 2023, the Company issued 481,336 common shares as consideration for the amount of \$105,950 owing to certain shareholders of NG Biomed that had not exercised their right of rescission.
- In May 2023, and subject to approval of the Exchange, the Company amended the terms of its outstanding Debenture A in the principal amount of \$438,000. The amended Debenture A includes the following terms:
  - Maturity date extended until May 31, 2024;
  - Coupon rate of 10% per annum;
  - Holder's right to convert the Debenture A into common shares of the Company at a price of \$0.01 per share; and
  - Company's right to convert the Debenture A into common shares of the Company during any period where the 20-day weighted average trading price of the Company's common shares is \$0.05 or greater.
- On May 25, 2023 the Company announced that, subject to approval of the Exchange, the Company intends to complete a non-brokered private placement ("Private Placement") of approximately 100,000,000 units of the Company (the "Units") at a price of \$0.01 per Unit for gross proceeds of \$1,000,000. Each Unit shall consist of one common share and one common share warrant (a "Warrant") with each Warrant exercisable for one common share at a price of \$0.05 per share for a period of 24 months after the closing date. The Private Placement shall be completed on a best-efforts basis from eligible purchasers that shall be restricted to accredited investors or other investors meeting exemption requirements for a non-brokered private placement.

Proceeds from the Private Placement will be used for working capital in support of the Company's growth. Should the Private Placement be oversubscribed, the Company reserves the right to accept additional funds, subject to the approval of the Exchange.