HERBAL DISPATCH INC.

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

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April 29, 2024
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Herbal Dispatch Inc.

Opinion

We have audited the consolidated financial statements of Herbal Dispatch Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of operations, shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

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

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 Company in accordance with 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.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. This matter was 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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Related to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

Evaluation of Value of Investments and Loan Receivable

We refer to financial statement summary of material accounting policy information in Note 2, and related disclosure in Notes 8 and 9.

(continues)

At December 31, 2023, the Company reported investments with a value of $nil and loan receivable with a value of $453,357. The investments and loan receivable are connected to an entity named Enhanced Pet Sciences Corp. and their carrying value is subject to significant judgment and estimate due to the nature of the financial assets.

The valuation of the investments and loan receivable was considered as a key audit matter, due to the size of the balance and significant management judgment is required for the value assessment. This matter represented an area of significant risk of material misstatement given the magnitude of the balance and high degree of estimation uncertainty in determining the fair value financial assets. Significant auditor judgment was required to evaluate the evidence supporting the Company’s significant estimates due to the sensitivity of the fair value to minor changes in these estimates.

To address the risk for material misstatement on investments and loan receivable, our audit procedures included, amongst other procedures:

- Evaluating the analyses and calculations made by management with respect to the fair value assessment and expected credit loss analysis at the valuation date.
- Performing sensitivity analysis over the input variables in managements analysis to determine the impact of fluctuations in the estimates.
- Review of agreements to assess the terms of the holdings and related covenants and security.
- Assessing the compliance of Company’s accounting policies with applicable accounting standards.

We assessed the adequacy of the Company’s disclosures.

Evaluation of Impairment of Intangible Assets and Goodwill

We refer to financial statement summary of material accounting policy information in Note 2, and related disclosure in Notes 7 and 10.

At December 31, 2023, intangible assets amounted to $3,102,828 and goodwill amounted to $1,748,458. For the purpose of impairment testing, intangible assets and goodwill are allocated to the group of cash generating unites (CGUs), which represent the lowest level within the Company at which these assets are monitored for internal management purposes. The recoverable amount is based on the greater of the CGU group’s fair value less cost to sell (FVLCS) and its value-in-use (VIU). The Company’s significant estimates used in determining the FVLCS include projected future sales, profit margins and earnings and discount rate.

Evaluation of impairment was considered as a key audit matter, due to the size of the balance and significant management judgment is required for the assessment. This matter represented an area of significant risk of material misstatement given the magnitude of the balance and high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence supporting the Company’s significant estimates due top the sensitivity of the recoverable amount to minor changes in these estimates.

To address the risk for material misstatement of goodwill and intangibles, our audit procedures included, amongst other procedures:

- Evaluating the analyses and calculations made by management with respect to the impairment at year end and evaluate the possibility of impairment.
- Performing sensitivity analysis over the input variables in managements analysis to determine the impact of fluctuations in the estimates.
- Perform look back analysis over management’s forecasting history and abilities to project future growth and profitability.
- Assessing the compliance of Company’s accounting policies with applicable accounting standards.

(continues)

We assessed the adequacy of the Company's disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

Herbal Dispatch Inc.

Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

(expressed in Canadian dollars, unless otherwise noted)

	2023	2022
Assets		
Current assets:		
Cash	$ 222,392	$ 1,203,594
Trade and other receivables *(Note 3)*	704,318	456,287
Prepaid expenses and deposits	139,131	65,934
Inventory *(Note 4)*	1,242,439	388,283
Total current assets	2,308,280	2,114,098
Long-term assets		
Property and equipment *(Note 6)*	58,533	73,890
Intangible assets *(Note 7)*	3,102,828	3,342,463
Right of use asset *(Note 6)*	515,474	-
Investments *(Note 8)*	-	199,012
Loan receivable *(Note 9)*	453,357	464,237
Goodwill *(Note 10)*	1,748,458	1,748,458
Total assets	**$ 8,186,930**	**$ 7,942,158**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,197,075	$ 551,785
Acquisition consideration payable	-	141,870
Deferred revenue	90,900	-
Income taxes payable	38,598	39,524
Current portion of right of use lease *(Note 11)*	107,114	-
Loans payable *(Note 12)*	140,000	474,864
Total current liabilities	2,573,687	1,208,043
Long-term liabilities		
Right of use lease *(Note 11)*	438,357	-
Loans payable *(Note 12)*	933,645	457,033
Total liabilities	3,945,689	1,665,076
Shareholders' equity		
Share capital *(Note 13)*	76,760,128	76,744,245
Contributed surplus	3,635,443	3,614,977
Accumulated other comprehensive loss	(820,310)	(819,430)
Deficit	(75,334,020)	(73,262,710)
Total shareholders' equity	4,241,241	6,277,082
Total liabilities and shareholders' equity	**$ 8,186,930**	**$ 7,942,158**

On behalf of the Board:

"Philip Campbell"	***"Jeremy South"***
CEO and Director	Director

Herbal Dispatch Inc.

Consolidated Statements of Operations

For the years ended December 31, 2023 and 2022

(expressed in Canadian dollars, unless otherwise noted)

	2023	2022
Revenue:		
Sales	$ 5,735,700	$ 363,798
Excise duties	(991,904)	(45,035)
Net revenue	4,743,796	318,763
Cost of sales	3,449,540	339,182
Gross profit	1,294,256	(20,419)
Expenses:		
General and administration *(Note 21)*	1,926,589	1,692,271
Selling and marketing *(Note 21)*	662,074	639,687
Share based compensation *(Note 13)*	-	(3,241)
Depreciation & amortization *(Note 6, 7)*	390,525	227,159
	2,979,188	2,555,876
Loss from operations	(1,684,932)	(2,576,295)
Other expenses (income)		
Interest and other *(Note 22)*	140,486	(53,411)
Loss (gain) on sale of assets *(Note 6)*	74,574	(3,483)
Loss on investments *(Note 8)*	199,012	573,192
Gain on settlement of debt	(78,688)	-
Impairment loss *(Note 16)*	-	1,588,224
Loss (gain) on foreign exchange	13,634	(116,314)
Accretion expense	37,360	13,521
	386,378	2,001,729
Loss before income taxes	(2,071,310)	(4,578,024)
Income tax expense *(Note 20)*	-	36,977
Net loss	**(2,071,310)**	**(4,615,001)**
Other comprehensive loss		
Currency translation adjustment	(880)	2,713
Comprehensive loss	$ (2,072,190)	$ (4,612,288)
Basic and diluted loss per share	$ (0.03)	$ (0.09)
Weighted average number of common shares outstanding (Note 13)	70,312,692	50,007,935

Herbal Dispatch Inc.

Consolidated Statements of Shareholders' Equity

As at December 31, 2023 and 2022

(expressed in Canadian Dollars , unless otherwise noted)

	Common Shares		Contributed Surplus	Accumulated other comprehensive loss	Deficit	Shareholder's Equity
	Number	$	$	$	$	$
Balance, December 31, 2021	**43,153,693**	**72,709,115**	**3,244,154**	**(822,143)**	**(68,647,709)**	**6,483,417**
Shares issued – services	98,350	14,752	-	-	-	14,752
Shares issued – acquisition	30,102,519	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)
Balance, December 31, 2022	**73,354,562**	**76,744,245**	**3,614,977**	**(819,430)**	**(73,262,710)**	**6,277,082**
Shares issued – acquisitions	273,137	15,883	-	-	-	15,883
Issuance of convertible debenture	-	-	20,466	-	-	20,466
Currency translation adjustment	-	-	-	(880)	-	(880)
Net loss for the period	-	-	-	-	(2,071,310)	(2,071,310)
Balance, December 31, 2023	**73,627,699**	**76,760,128**	**3,635,443**	**(820,310)**	**(75,334,020)**	**4,241,241**

Herbal Dispatch Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in Canadian Dollars, unless otherwise noted)

	2023	2022
Cash provided by (used for):		
Operating activities:		
Net loss for the period	$ (2,071,310)	$ (4,615,001)
Items not affecting cash:		
Share based compensation	-	(3,241)
Depreciation & amortization	390,524	227,159
Loss (gain) on sale of assets	74,574	(3,483)
Loss on investments	199,014	573,192
Gain on settlement of debt	(78,688)	-
Impairment of assets	-	1,588,224
Loss (gain) on foreign exchange	13,633	(42,455)
Accretion expense	37,360	13,521
Changes in non-cash working capital balances:		
Trade and other receivables	(322,666)	(38,291)
Prepaid expenses and deposits	(73,196)	1,439
Inventory	(854,156)	(355,007)
Accounts payable and accrued liabilities	1,643,621	(4,173)
Deferred revenue	90,900	-
Income taxes payable	-	37,976
Cash used in operating activities	**(950,390)**	**(2,620,140)**
Investing activities:		
Purchase of intangible assets	-	(12,535)
Purchase of property and equipment	(6,337)	(33,200)
Proceeds on sale of assets	-	196,366
Cash assumed from acquisition	-	6,487
Cash (used in) provided by investing activities	**(6,337)**	**157,118**
Financing activities:		
Advances of loans payable	600,000	-
Repayment of loans payable	(500,000)	-
Repayment of acquisition consideration payable	(35,920)	(82,500)
Repayment of right of use lease liability	(85,722)	(131,014)
Cash used in financing activities	**(21,642)**	**(213,514)**
Decrease in cash	(978,369)	(2,676,536)
Effect of exchange rate changes on cash	(2,833)	(472)
Cash, beginning of period	1,203,594	3,880,602
Cash, end of period	**$ 222,392**	**$ 1,203,594**

Note 1 – Nature of operations and going concern

Herbal Dispatch Inc. ("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 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 year ended December 31, 2023, the Company incurred a net loss of $2,071,310 (net loss of $4,615,001 for the year ended December 31, 2022). 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 – Summary of material accounting policy information

a) Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Reporting Standards (IFRS), as issued by the International Accounting Standards Board on a going concern basis. These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 25, 2024.

On February 23, 2024, the Company consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share. As a result, the number of shares outstanding have been adjusted and restated for all periods presented to reflect the effect of the share consolidation. The Company's outstanding warrants, options, and other convertible securities have also been adjusted on the same basis with respect to the underlying common shares exercisable pursuant to the warrants, options, and other convertible securities, with proportionate adjustments being made to applicable exercise or conversion prices, as applicable.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's current active subsidiaries include Rosebud Productions Inc. and Coco Pure Beverage Corp. All inter-company balances and transactions have been eliminated on consolidation.

Note 2 – Summary of material accounting policy information, continued

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for assets classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell, and investment and derivatives, which are measured at fair value through profit or loss.

d) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's US subsidiaries is the US Dollar.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations. 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.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

e) Cash

Cash includes cash deposits in financial institutions and other deposits that are readily convertible into cash.

f) Inventory

Inventories of ingredients, purchased cannabis products, finished goods and packaging materials are initially measured at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

Note 2 – Summary of material accounting policy information, continued

g) Property and equipment and right of use asset

Property and equipment are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

For the periods ending December 31, 2023 and 2022, depreciation is calculated on a straight-line basis over the estimated useful life of the assets on a pooled basis, as is consistent with industry practice. Management estimates those useful lives to be:

- Computer and mobile equipment - 3 years
- Production equipment - 4 to 5 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment acquired, but not available for use are not amortized until they are available for use.

Right of use assets are recorded on a present value basis at inception of the lease and amortized on a straight-line basis over the life of the lease. The cost of asset is adjusted for any re-measurement of the lease liability and is less any accumulated depreciation and accumulated impairment losses, if any.

h) Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property and equipment are no longer amortized or depreciated.

i) Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Note 2 – Summary of material accounting policy information, continued

i) Intangible assets and goodwill, continued

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test.

For the periods ending December 31, 2023 and 2022, amortization was calculated on a straight-line basis over the following estimated useful lives:

- Cannabis licenses - 20 years
- Customer platforms - 10 years
- Trademark – 10 years

j) Right of use lease

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

- The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - The Company has the right to operate the asset; or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

Note 2 – Summary of material accounting policy information, continued

j) Right of use lease, continued

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of use leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of operations. A leased asset is amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

The Company has elected to recognize the lease payments associated with short term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

k) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Note 2 – Summary of material accounting policy information, continued

l) Share capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in contributed surplus over the vesting periods are recorded as share capital. Share capital issued for nonmonetary consideration is recorded at an amount based on the fair market value of the shares on the date of issue.

m) Share-based payments

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

n) Comprehensive loss

Comprehensive loss consists of loss and other comprehensive income (loss) (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and foreign currency translation.

o) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the year. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti- dilutive.

p) Business acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of a business acquisition is measured at the fair value of the aggregate consideration transferred, measured at the acquisition date. All acquisition costs are expensed as incurred in general and administration expenses. Any acquisition consideration payable is measured at fair value at the acquisition date. Any subsequent changes to acquisition consideration payable are recognized in profit or loss.

Note 2 – Summary of material accounting policy information, continued

q) Revenue recognition

The Company generates revenue primarily from the sale of cannabis and cannabis related products. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligation(s) in the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation(s) in the contract
5. Recognizing revenue when or as the Company satisfies the performance obligation(s)

Revenue from the sale of cannabis and cannabis related products are generally recognized when control over the goods has been transferred to the customer. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company's credit policy upon the transfer of goods to the customer. Payment for consumer transactions are typically made at the time the product is ordered. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery to the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

When the Company receives payment from customers for products that have not yet been received by the customer, these payments are reported as deferred revenue until such time as the related revenue is recognized.

r) Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Note 2 – Summary of material accounting policy information, continued

Changes in deferred tax assets or liabilities are recognized as a component of income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

s) Statement of cash flows

The Company is using the indirect method in its presentation of the statement of cash flows.

t) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

The Company’s financial assets include cash, trade and other receivables, loan receivable, right of use assets, and investments.

Subsequent measurement

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. The Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company has designated investments at fair value through profit or loss.

Note 2 – Summary of material accounting policy information, continued

t) Financial instruments, continued

Amortized cost
Financial assets are measured at amortized cost if the two following conditions are met:

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

The Company has designated cash, loans receivable, and trade and other receivables at amortized cost.

Fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income is permitted if the two following conditions are met:

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

The Company has not designated any financial assets at fair value through other comprehensive income upon initial recognition.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Note 2 – Summary of material accounting policy information, continued

t) Financial instruments, continued

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on all financial assets and certain off-balance sheet loan commitments and guarantees. The expected credit loss model requires a loss allowance to be recognized on the financial asset regardless of whether an actual loss event has occurred.

The expected credit loss model presents three stages of credit loss allowances that must be assessed on all financial assets acquired by the Company. At the reporting date, if the credit risk of a financial asset has not significantly changed from initial recognition, an allowance for that financial instrument at an amount equal to a 12-month expected credit losses is recognized (Stage 1). Once the financial assets credit risk significantly increases from initial recognition, a lifetime expected credit loss will be recognized (Stage 2). At Stage 2 the interest revenue from the asset will continue to be calculated on the carrying value of the asset before impairments. If the credit quality of the financial asset deteriorates, the lifetime expected loss will continue to be recognized, however the interest revenue will now be calculated on the net amortized carrying value after deducting the loss allowance (Stage 3).

The assessment of significant increases in credit loss is completed at the reporting date and considers historical events, current market conditions and supportable information about future economic conditions that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Note 2 – Summary of material accounting policy information, continued

t) Financial instruments, continued

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, acquisition consideration payable, loans payable and right of use leases.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in profit or loss.

The Company has not designated any financial liabilities as fair value through profit or loss.

Amortized cost
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance costs in profit or loss.

The Company's financial liabilities measured at amortized cost include accounts payable and accrued liabilities, acquisition consideration payable, loans payable, and right of use leases.

Derecognition

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Note 2 – Summary of material accounting policy information, continued

t) Financial instruments, continued

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

u) Material accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

Significant judgements estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Significant judgements

a. Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt and loans, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the fair value of financial instruments are disclosed in Note 24.

Note 2 – Summary of material accounting policy information, continued

u) Material accounting judgements, estimates and assumptions, continued

Significant judgements, continued

b. Business acquisitions

In a business acquisition, judgment is exercised in determining whether the transaction meets the definition of a business combination or is an acquisition of assets. The Company evaluates whether the acquired set of activities and assets includes an input, a process and an output as required under IFRS 3.

c. Going concern assumption

The Company exercises judgement in determining its ability to continue to operate for the foreseeable future and to be able to discharge its liabilities in its normal course of business. The Company assesses its current and forecasted cash and working capital balances to make this determination.

Significant estimates

a. Convertible instruments

Convertible loans are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

b. Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Note 2 – Summary of material accounting policy information, continued

u) Material accounting judgements, estimates and assumptions, continued

Significant estimates, continuation

c. Share based payments and warrants

All equity-settled, share based awards and share purchase warrants issued by the Company are fair valued using the Black-Scholes option-pricing model or other fair value techniques. In assessing fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

d. Leased assets

Leases require assumptions and estimates in order to determine the value of the right of use asset and lease liabilities. Judgement must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgement must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

e. Inventory valuation

Management has applied judgement in the determination of the net realizable value of its inventory. Management estimates net realizable value by estimating selling prices in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

f. Estimated useful lives and depreciation of property and equipment, intangible assets and impairment of non-financial assets

Depreciation of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

g. Business acquisitions

In a business acquisition, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment and intangible assets acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. For further information on business acquisitions, refer to Note 5.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 2 – Summary of material accounting policy information, continued

u) Material accounting judgements, estimates and assumptions, continued

h. Impairment of goodwill and intangible assets

Management believes that the methodology used to identify CGU(s) and test impairment of goodwill and intangible assets, involves a significant number of judgments and estimates. Many of the factors used in determining whether goodwill and intangible assets is impaired are outside of management's control and inherently uncertain. Therefore, actual results could differ from those estimated. As well, it is reasonably likely that assumptions and estimates will change in future periods that could have a significant impact on the recoverable amount of a CGU, which could result in an impairment loss.

The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, the Company uses estimates of economic and market information over the projection periods, including growth rates in revenue, estimates of changes in gross margins, cash expenditures, and future changes in working capital requirements. For further information on the Company's assessment of goodwill at December 31, 2023, refer to Note 10.

v) Measurement uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Note 3 – Trade and other receivables

	December 31 2023 $	December 31 2022 $
Trade receivables	**704,318**	67,265
GST recoverable	**-**	172,169
Other receivables	**-**	216,853
Total receivables	**704,318**	456,287

The aging analysis of trade receivables is as follows:

	Total $	**1-30** $	**31-60** $	**61-90** $	**91+** $
December 31, 2023	**704,318**	631,147	32,845	16,067	24,259
December 31, 2022	**67,265**	46,068	8,090	-	13,107

(Expressed in Canadian Dollars, unless otherwise noted)

Note 3 – Trade and other receivables, continued

During the year ended December 31, 2023, $18,444 in trade receivables was recognized as a bad debt expense and included in general and administration expenses (year ended December 31, 2022 - $nil).

Included in other receivables at December 31, 2022 was USD $60,000 (CAD $81,417) related to the sale of certain assets and licenses at the Company's Portland Oregon facility (see Note 6) as well as an indemnity receivable of $90,601 related to the acquisition of NG Biomed (Note 5).

Note 4 – Inventory

	December 31 2023 $	December 31 2022 $
Packaging	**199,572**	**38,882**
Ingredients and cannabinoids	**492,513**	**22,145**
Finished goods	**550,354**	**327,256**
Total inventory	**1,242,439**	**388,283**

Inventory expensed in direct costs for the year ended December 31, 2023 was $3,449,540 (year ended December 31, 2022 - $339,182). For the year ended December 31, 2022, the Company recognized an impairment loss of $323,780 related to inventory held in the United States to reduce its carrying value to estimated net realizable value.

Note 5 – Acquisitions

a) Acquisition of NG Biomed

On August 13, 2022, the Company acquired 100% of the issued and outstanding shares of the National Green Biomed group of companies ("NG Biomed"). NG Biomed was a licensed producer of cannabis products for both the recreational and medical consumer markets.

The acquisition of NG Biomed was affected by way of a three-cornered amalgamation in accordance with the provisions of the Business Corporations Act (British Columbia) whereby the securityholders and certain creditors of NG Biomed were issued 16,102,519 common shares in Herbal Dispatch. The Company also agreed to pay cash consideration of up to $224,370 to certain shareholders of NG Biomed that had a right of recission related to their investment in NG Biomed. In conjunction with the acquisition, the Company also issued $500,000 in debt and assumed $200,000 in other net liabilities. In conjunction with the acquisition, the Company also issued 617,200 warrants with each warrant exercisable to acquire one common share of Herbal Dispatch at a price of $1.50 per share until December 31, 2023.

The acquisition of NG Biomed was accounted for using the purchase method in accordance with IFRS 3 Business Acquisitions, with the results of the acquired business being included in the consolidated financial statements from its effective acquisition date. The fair value of the net assets acquired and aggregate consideration given were as follows:

(Expressed in Canadian Dollars, unless otherwise noted)

Note 5 – Acquisitions, continued

a) Acquisition of NG Biomed, continued

Fair value of net assets acquired	$
Cash	**6,487**
Trade and other receivables	**48,734**
Indemnity receivable	**90,601**
Inventory	**16,465**
Prepaid expenses and deposits	**33,786**
Property and equipment	**84,390**
Intangible assets	**1,832,000**
Goodwill	**1,748,458**
Total assets	**3,860,921**
Accounts payable and accrued liabilities	**(356,073)**
Loans payable	**(40,000)**
Total liabilities	**(396,073)**
Net assets acquired	**3,464,848**

Consideration given	$
Common shares	**2,415,378**
Debentures – debt portion	**451,036**
Debentures – equity portion	**300,000**
Warrants	**74,064**
Acquisition consideration payable	**224,370**
Total consideration	**3,464,848**

The Company was indemnified by a former principal of NG Biomed for any working capital deficiency in excess of $200,000 at closing. The Company recognized an indemnification receivable of $90,601 related to this indemnity, which was received in early 2023.

Goodwill acquired with the above business acquisition comprised the value of expected synergies arising from the acquisition and the expertise and reputation of the assembled workforce acquired. None of the goodwill acquired is expected to be deductible for income tax purposes.

The debentures issued in conjunction with the NG Biomed acquisition consisted of a principal amount of $500,000, bear interest at an annual rate of 10.0% and mature on December 31, 2024. The debentures were also convertible into common shares at the option of the holder, at a price of $0.25 per share. The debentures were fully repaid in December 2023.

Note 5 – Acquisitions, continued

a) Acquisition of NG Biomed, continued

The fair value of the debt component of the debentures was calculating using an estimated market discount rate of 15% per annum. The fair value of the equity portion of the debentures was calculated using the Black-Scholes option pricing model using the following assumptions: stock price volatility – 292%, risk free interest rate – 3.24%, dividend yield - $0.00%, and expected life of 28.5 months.

The fair value of the warrants issued in conjunction with the NG Biomed acquisition were calculated using the Black-Scholes option pricing model using the following assumptions: stock price volatility – 292%, risk free interest rate – 3.24%, dividend yield - $0.00%, and expected life of 16.5 months.

b) Acquisition of 1192515 BC Ltd.

On August 23, 2022, the Company acquired 100% of the outstanding shares of 1192515 BC Ltd., the owner of herbaldispatch.com, a leading Canadian online dispensary brand ("1192515"). Assets included in the acquisition were 1192515's website domains, trademarks, and user database. This database contains age-verified, Canadian-resident cannabis consumers, and has more than a 100,000+ profiles, including over 60,000 active subscribers. Pursuant to the terms of the acquisition, the Company acquired 100% of the issued and outstanding shares of 1192515 (the "Transaction") in exchange for Herbal Dispatch common shares, based on a milestone structure linked to quarterly revenue targets.

1192515 did not meet the definition of a business under IFRS 3 Business Combinations prior to the acquisition. The acquisition is therefore accounted for in accordance with IFRS 2 Share-based Payments, whereby the Company acquired the assets of 1192515 in exchange for commons shares in Herbal Dispatch.

Consideration for the acquisition consisted of the issuance of 14,000,000 common shares of Herbal Dispatch with 2,000,000 of those common shares distributed to the shareholders of 1192515 at closing. The remaining 12,000,000 common shares were held in escrow and distributed following the achievement of certain milestone events linked to quarterly revenue targets. These milestones were met during the year ended December 31, 2023.

The value of the common shares issued and assets acquired of 1192515 was $1,605,000. The assets acquired primarily consisted of the 1192515's customer platform and were measured at the estimated fair value of the common shares issued. The common shares were initially measured at a deemed price of $0.15 per share, but then discounted for the uncertainty that certain of the milestone events related to the share consideration being held in escrow may not be achieved.

The Transaction was a related party transaction and not an arm's length transaction for purposes of the policies of the Exchange as certain directors and officers of Herbal Dispatch were minority shareholders in 1192515 BC Ltd. Therefore, the Transaction was a related party transaction under Multilateral Instrument 61-101. For the Transaction, the Company relied on the exemptions contained in sections 5.5(a) and 5.7(a), respectively, of Multilateral Instrument 61-101 from the valuation and minority shareholder requirements of that instrument as they apply to related party transactions since the fair market value of the acquisition was less than 25% of the market capitalization of the Company. The acquisition of 1192515 was approved by the board upon recommendation of the independent director in accordance with the Company's related-party transaction policy. Those certain directors and officers of the Company who are also minority shareholders of 1192515 did not vote on the Transaction.

Legal fees of $118,000 were incurred in conjunction with the acquisitions of NG Biomed and 1192515. All acquisition costs were expensed as incurred in general and administrative expenses.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 6 – Property and equipment and right of use asset

Cost	December 31 2022 $	Additions $	Disposals $	**December 31 2023 $**
Computer and mobile equipment	7,606	2,242	-	**9,848**
Production equipment	73,242	4,095	-	**77,337**
Right of use asset	-	631,193		**631,193**
	80,848	637,530	-	**718,378**

Accumulated Depreciation	December 31 2022 $	Depreciation $	Disposals $	**December 31 2023 $**
Computer and mobile equipment	(799)	(2,627)	-	**(3,426)**
Production equipment	(6,159)	(19,068)	-	**(25,227)**
Right of use asset	-	(115,719)		**(115,719)**
	(6,958)	(137,414)	-	**(144,372)**

Effective February 1, 2023, the Company entered into a five-year lease agreement for a property, which resulted in a right of use asset and liability of $631,193 being recognized (see *Note 11*).

Cost	December 31 2021 $	Additions $	Acquisition (Note 5) $	Disposals $	Foreign Exchange $	**December 31 2022 $**
Computer and mobile and mobile equipment	44,413	6,106	1,500	(47,161)	2,748	**7,606**
Production equipment	-	27,094	82,890	(36,742)	-	**73,242**
Software	6,694	-		(7,108)	414	**-**
Mobile equipment	30,865	-		(32,774)	1,909	**-**
Furniture and fixtures	27,983	-		(29,712)	1,729	**-**
Security equipment	73,891	-		(78,462)	4,571	**-**
Lab equipment	1,211,178	-		(1,286,111)	74,933	**-**
Leasehold improvements	1,724,823	-		(1,831,534)	106,711	**-**
	3,119,847	33,200	84,390	(3,349,604)	193,015	**80,848**

(Expressed in Canadian Dollars, unless otherwise noted)

Note 6 – Property and equipment and right of use asset, continued

Accumulated Depreciation	December 31 2021 $	Depreciation $	Disposals $	Foreign Exchange $	**December 31 2022 $**
Computer and mobile equipment	(44,413)	(798)	47,161	(2,749)	**(799)**
Production equipment	-	(8,215)	2,056	-	**(6,159)**
Software	(6,694)	-	7,108	(414)	**-**
Mobile equipment	(30,865)	-	32,774	(1,909)	**-**
Furniture and fixtures	(22,532)	-	23,926	(1,394)	**-**
Security equipment	(67,937)	-	72,141	(4,204)	**-**
Lab equipment	(1,131,535)	-	1,201,540	(70,005)	**-**
Leasehold improvements	(765,670)	-	813,040	(47,370)	**-**
	(2,069,646)	(9,013)	2,199,746	(128,045)	**(6,958)**

In July 2022, the Company entered into a definitive agreement to sell certain assets and licenses that were classified as held for sale for cash consideration of USD $120,000. An impairment loss was recognized on the remaining assets held for sale as a result of this transaction as discussed in Note 16.

During the year ended December 31, 2023, the Company recognized a loss on sale of assets of $ USD $55,000 (CAD $74,574) related to the portion of the sale proceeds that have not yet been received by the Company and that the Company now believes is unlikely to be collectible.

Net Book Value	**December 31 2023 $**	December 31 2022 $
Computer and mobile equipment	**6,423**	6,807
Production equipment	**52,110**	67,083
Right of use asset	**515,474**	-
	574,007	73,890

(Expressed in Canadian Dollars, unless otherwise noted)

Note 7 – Intangible assets

	Licenses $	Customer Platform $	Trademark $	Total $
Cost				
December 31, 2021	36,164	-	-	36,164
Acquisition (*note 5*)	1,832,000	1,605,000	-	3,437,000
Additions	13,570	-	-	13,570
Disposals	(51,971)	-	-	(51,971)
Foreign exchange	2,237	-	-	2,237
December 31, 2022	1,832,000	1,605,000	-	3,437,000
Additions	-	-	13,476	13,476
December 31, 2023	**1,832,000**	**1,605,000**	**13,476**	**3,450,476**
Accumulated depreciation				
December 31, 2021	1,373	-	-	1,373
Depreciation	34,878	60,187	-	95,065
Disposals	(2,023)	-	-	(2,023)
Foreign exchange	122	-	-	122
December 31, 2022	34,350	60,187	-	94,537
Depreciation	91,600	160,500	1,011	253,111
December 31, 2023	**125,950**	**220,687**	**1,011**	**347,648**
Net book value				
December 31, 2022	1,797,650	1,544,813	-	3,342,463
December 31, 2023	**1,706,050**	**1,384,313**	**12,465**	**3,102,828**

Acquisition of Golden Spruce

In April 2023, the Company completed the acquisition of certain assets related to the Golden Spruce cannabis brand. The Company issued 225,000 common shares in consideration for the acquisition. An additional 75,000 common shares are contingently issuable should certain future revenue targets be achieved from the sale of Golden Spruce branded cannabis products. The value of the share consideration issued was $13,476.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 8 – Investments

	December 31 2023 $	December 31 2022 $
Enhanced Pet Sciences Corp.	**-**	199,012

The Company holds an equity investment in Enhanced Pet Sciences Corp. (“EPS”), a privately held, startup company that is developing consumer packaged goods incorporating cannabinoid extracts. The Company does not have significant influence or control over the investee. The investee is privately held and there is no quoted market price for its common shares. The investment in EPS is recognized at fair value through profit or loss. During the year ended December 31, 2023, the Company recognized a loss of $199,012 related to this investment (2022 – loss of $566,426) (see *Note 9*).

Note 9 – Loan receivable

	December 31 2023 $	December 31 2022 $
Opening balance	**464,237**	686,221
(Loss) gain on foreign exchange	**(10,880)**	104,766
Impairment	**-**	(326,750)
Ending balance	**453,357**	464,237

On January 28, 2020 the Company entered into a secured loan agreement with EPS for USD $500,000 (CAD $728,676). The loan bears interest at 8% per annum, is secured by collateral security as well as guarantees from certain principals of EPS and was initially due on December 31, 2020.

On April 15, 2021, the loan agreement was revised and the maturity date extended to December 31, 2021. Outstanding interest of USD $36,995 (CAD $47,123) was rolled into the principal balance of the loan making the new outstanding loan balance USD $536,995 (CAD $686,221 at December 31, 2021). The revised agreement also provided the option for the Company to convert the loan into common shares of EPS at a fixed value of $0.20 per common share with 10 days written notice at any time up to the maturity date. The interest and security collateral terms remained the same.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 9 – Loan receivable, continued

On November 24, 2021, the Company signed an additional extension agreement for the loan receivable. Under the terms of the extension, the loan now matured on December 31, 2022. EPS made a USD $40,000 (CAD $51,116) prepayment and agreed to an additional USD $40,000 payment to be made by June 30, 2022. In addition, EPS agreed to pay to the Company either a USD $10,000 payment or an additional USD $20,000 in common shares of the Borrower at CAD $0.20 per share by February 28, 2022, at the election EPS. On February 28, 2022, EPS issued to the Company 50,880 common shares at a deemed price of CAD $0.50 per share (post 2.5 to 1 share consolidation).

The loan receivable is now past due and in default. The Company attempted to work with EPS to obtain a mutually satisfactory repayment plan, but was unsuccessful in these efforts. In the first quarter of 2024, the Company commenced litigation against EPS and the guarantors. The Company expects that it will eventually be successful in collecting on the loan receivable from either EPS or its guarantors. However, due to the nature of a litigation process, it is uncertain when the loan receivable will be collected.

During the year ended December 31, 2022, an impairment loss of CAD $326,750 *(Note 16)* was recognized to adjust the carrying value of the loan receivable to its estimated fair value. During the year ended December 31, 2023, a loss of CAD $10,880 (2022 – gain of $104,766) was recognized on the loan receivable related to the foreign exchange impact on changes in the US dollar.

Due to the loan receivable default, the Company determined the fair value of the equity investment in EPS was $nil at December 31, 2023.

Note 10 – Goodwill

	December 31 2023 $	December 31 2022 $
Balance, beginning of year	**1,748,458**	**-**
Acquisition *(Note 5)*	**-**	**1,748,458**
Balance, end of year	**1,748,458**	**1,748,458**

In accordance with its accounting policies, the Company conducts a goodwill impairment test in the fourth quarter of each fiscal year, or more frequently if circumstances indicate that impairment may have occurred. The Company allocates goodwill to its CGU(s). The CGU(s) are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are also considered, including how management monitors the Company’s operations. The Company has determined that it currently operates in one CGU.

Note 10 – Goodwill, continued

At December 31, 2023, the Company performed its annual impairment tests for goodwill and concluded that there was no impairment of goodwill as the recoverable amounts of its CGU(s) were higher than the carrying amounts. Herbal Dispatch determines the recoverable amount for its CGU(s) on the basis of fair value less costs to sell (FVLCS). The FVLCS was determined by discounting the expected future cash flows generated from the Company's continuing use of its CGU(s). The discounted cash flow model calculates the present value of the estimated future cash flows of the CGU(s).

Estimating future cash flows requires judgment, considering past and actual performance as well as expected developments in the Company's market and in the overall macro-economic environment. The calculation of FVLCS was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the business plan forecasts for the next four years;
- The terminal growth rate was estimated to be 2.0% and was based on management's best estimate of the long-term growth rate of its CGU after the forecast period, considering future economic forecasts;
- The discount rate of 28.1% reflects the size, risk profile and circumstances of the Company and is based on experience and the industry-weighted average cost of capital; and
- The tax rates used in determining the future cash flows are those substantively enacted at the valuation date.

Management believes that the methodology used to identify CGU(s) and test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment loss has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside of management's control and inherently uncertain. Therefore, actual results could differ from those estimated. As well, it is reasonably likely that assumptions and estimates will change in future periods that could have a significant impact on the recoverable amount of a CGU, which could result in an impairment loss.

Note 11 – Obligations under right-of-use lease

Effective February 1, 2023, the Company entered into a 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 December 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. This lease liability corresponds with right of use assets with a net book value of $515,474 (December 31, 2022 – nil).

(Expressed in Canadian Dollars, unless otherwise noted)

Note 11 – Obligations under right-of-use lease, continued

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

	December 31 2023 $	December 31 2022 $
Within one year	**150,385**	**-**
Thereafter	**502,616**	**-**
Total minimum lease payments	**653,001**	-
Less: amount representing interest	**(107,530)**	-
Present value of minimum lease payments	**545,471**	-
Less: current portion	**(107,114)**	-
	438,357	-

During the year ended December 31, 2023, the Company recognized $115,719 of depreciation related to right of use assets (year ended December 31, 2022 - $123,081).

Note 12 – Loans payable

	December 31 2023 $	December 31 2022 $
Debenture A	**433,645**	434,864
Debentures B	**-**	457,033
Debenture C	**500,000**	-
Other loans	**100,000**	-
CEBA loan	**40,000**	40,000
	1,073,645	981,897
Less: current portion	**(140,000)**	(474,864)
	933,645	457,033

Note 12 – Loans payable, continued

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 originally matured on May 23, 2023 but was subsequently amended with the maturity date extended to January 31, 2025. At December 31, 2023, the Debenture A has a coupon rate of 14% per annum, payable monthly, and, subject to the approval of the Exchange, is convertible into common shares of the Company at a price of $0.50 per share 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 $1.00 or greater.

The amended Debenture A was discounted to its net present value using a yield rate of 15%. The debt discount balance of $20,466 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 NG Biomed (*Note 5*). The Debentures B had an annual coupon rate of 10% per annum, payable monthly, and were also convertible, at the holder's option, into common shares of the Company at $0.25 per share, and at the Company's election, during any period where the trading price of the Company's common shares is $0.50 or greater for a period of 20 consecutive trading days.

The Debentures B were discounted to their net present value using a yield rate of 15%. The original debt discount balance of 48,964 was being amortized over the term of the debentures using the effective interest rate. In December 2023, the Company repaid the Debentures B in full. In conjunction with the repayment, the Company recognized a loss on settlement of debt of $24,855, reflecting the unamortized portion of the debt discount.

Note 12 – Loans payable, continued

Debenture C

In December 2023, the Company issued new unsecured convertible debentures (the "Debenture C") with a principal amount of $500,000 owing to a director and shareholder of the Company. The Debenture C has an annual coupon rate of 14% per annum, payable monthly, and matures on January 31, 2025. Subject to the approval of the Exchange, the Debenture C is also convertible, at the holder's option into common shares of the Company at $0.50 per share, and at the Company's election, during any period where the trading price of the Company's common shares is $1.00 or greater for a period of 20 consecutive trading days.

Other loans

In October 2023, the Company received a short-term loan in the amount of $100,000 from a director and shareholder of the Company to support its working capital needs. The loan bears interest at an annual rate of 14% per annum, payable monthly, and matures on the earlier of (i) October 31, 2024; and (ii) within 30 days of a redemption notice being issued to the Company by the holder.

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 18, 2024 and then at 5.0% per annum thereafter. The Company recorded the CEBA loan at $40,000, representing its original issue amount of $60,000 less the expected loan forgiveness amount of $20,000. However, in March 2024, the Company decided not to repay the loan by the March 28, 2024 deadline and will now repay the loan over a term of three years commencing April 2024. The Company will no longer qualify for partial loan forgiveness.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 13 – Share capital

Authorized – Unlimited common shares with no par value	Number of shares	Amount $
Issued and outstanding at December 31, 2021	43,153,693	72,709,115
Activity during the year ended December 31, 2022:		
Shares issued – services rendered	98,350	14,752
Shares issued – NG Biomed (*Note 5*)	16,102,519	2,415,378
Shares issued – Herbal Dispatch (*Note 5*)	14,000,000	1,605,000
Issued and outstanding at December 31, 2022	73,354,562	76,744,245
Activity during the year ended December 31, 2023:		
Shares issued – Golden Spruce assets	225,000	13,476
Shares issued – right of recission	48,137	2,407
Issued and outstanding at December 31, 2023	**73,627,699**	**76,760,128**

Share consolidation

On February 23, 2024, the Company consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share. As a result, the number of shares outstanding have been adjusted and restated for all periods presented to reflect the effect of the share consolidation.

The Company's outstanding warrants, options, and other convertible securities have also been adjusted on the same basis with respect to the underlying common shares exercisable pursuant to the warrants, options, and other convertible securities, with proportionate adjustments being made to applicable exercise or conversion prices, as applicable.

Share issuances

In April 2023, the Company issued 225,000 common shares in consideration for the acquisition of certain assets related to the Golden Spruce brand. An additional 75,000 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 recission related to their investment in NG Biomed. This recission right expired on March 31, 2023. On May 2, 2023, the Company issued 48,137 common shares as consideration for the amount of $105,950 owing to certain shareholders of NG Biomed that had not exercised their right of recission. The shares issued were measured at their fair value with the difference between the value of the extinguished liability and the common shares issued recognized as a gain on settlement of debt.

During the year ended December 31, 2022, the Company issued 98,350 common shares at a deemed price of $0.15 per share to Camilla Advisory Group Inc., as payment for past services rendered to the Company by the Company's Chief Financial Officer.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 14 – Share purchase warrants

	Amount	Weighted Average Exercise Price per Share $
Balance as at December 31, 2021	3,965,600	0.42
Warrants issued – NG Biomed (*Note 5*)	617,200	1.50
Warrants expired	(1,200,000)	(0.25)
Balance as at December 31, 2022	3,382,800	0.68
Warrants expired	(617,200)	(1.50)
Balance as at December 31, 2023	**2,765,600**	**0.50**

Pursuant to the completion of the NG Biomed acquisition, the Company granted to the vendors 617,200 share purchase warrants, each entitling the holder to acquire one common share at an exercise price of $1.50 per common share. These share purchase warrants expired on December 31, 2023.

In November 2021, the Company completed a non-brokered private placement of 2,765,600 units for gross proceeds of $580,776. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder thereof to acquire a common share of the Company at a price of $0.50, expiring on October 26, 2024.

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

Exercise Price	Number of Warrants	Expiry Date
$0.50	2,765,600	October 26, 2024

Note 15 – 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.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 15 – Share-based compensation, continued

Stock options

The Company recorded the following activity related to stock options during the year ended December 31, 2023:

	Amount	Exercise Price per Share $
Balance, December 31, 2021	200,000	0.20
Stock options forfeited	(160,000)	0.20
Balance, December 31, 2022	40,000	0.20
Balance, December 31, 2023	**40,000**	**0.20**

The outstanding 40,000 stock options expire on July 28, 2025 and were fully vested at December 31, 2023.

Restricted share units

As at December 31, 2023 and 2022, no RSUs were outstanding. During the year ended December 31, 2022, the Board of Directors cancelled all of the outstanding RSUs, which resulted in a net recovery of previously recognized share-based compensation expense of $3,241.

Note 16 – Impairment

Year ended	**December 31 2023 $**	December 31 2022 $
Impairment of loan receivable	**-**	326,750
Impairment of assets held for sale	**-**	937,694
Impairment of inventory	**-**	323,780
Impairment of assets	**-**	1,588,224

The Company did not incur any impairment losses during the year ended December 31, 2023.

During the prior year ended December 31, 2022, an impairment loss of $326,739 was recognized to adjust the carrying value of the EPS loan receivable *(Note 9)* to its estimated fair value. In addition, in July 2022, the Company entered into a definitive agreement to sell certain assets and licenses at its Portland Oregon facility. As a result, during the year ended December 31, 2022, the Company recognized an impairment loss of $937,694 to reduce the carrying amount of the disposed assets to their estimated net realizable value. In addition, the Company recognized an impairment to inventory of $323,780 to reduce the value of its inventory located in the United States to its net realizable value.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 17 – Supplemental cash flow information

Year ended	December 31 2023 $	December 31 2022 $
Interest paid	**110,808**	47,878

Note 18 – 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.

Disaggregated revenue information by service line is disclosed as follows:

Year ended	December 2023 $	December 2022 $
Net revenue		
Canada		
Direct to consumer medical sales	1,184,349	177,367
Recreational cannabis sales	2,149,108	15,226
Export sales	1,069,950	-
Other revenue	338,586	-
	4,741,993	192,593
United States	1,802	126,170
Total net revenue	**4,743,796**	**318,763**

The Company generated only nominal revenue in the United States during the year ended December 31, 2023 and has discontinued sales in that jurisdiction. As at December 31, 2023 and 2022, all of the Company's property and equipment, intangible assets and goodwill were located in Canada.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 19 – 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:

	December 31 2023 $	December 31 2022 $
Salaries, benefits and management fees	**272,823**	241,129
Directors' fees	**120,000**	105,184
Share based compensation	**-**	-
Total compensation to key management	**392,823**	346,313

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 year ended December 31, 2023, the Company incurred interest expense of $58,212 (year ended December 31, 2022 - $26,270) related to convertible debentures owing to directors and shareholders of the Company.

Note 20 – Income taxes

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences were as follows:

	December 31 2023 $	December 31 2022 $
Property and equipment and intangible assets	**(430,657)**	(460,222)
Right of use assets and other	**9,978**	6,788
Losses and other tax credits carried forward	**18,125,440**	19,968,123
	17,704,761	19,514,689
Unrecognized deferred tax asset	**(17,704,761)**	(19,514,689)
Deferred tax asset	**-**	-

The Company had non-capital loss carry-forwards of approximately $71.6 million at December 31, 2023 ($70.8 million at December 31, 2022), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to final determination by taxation authorities, expiring between 2036 and 2043.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 20 – Income taxes, continued

The Company had non-capital loss carry-forwards of approximately $9.3 million at December 31, 2023 ($9.4 million at December 31, 2022), for US income tax purposes, subject to final determination by taxation authorities, expiring between 2036 and 2043. As the Company no longer has any operations in the United States, these loss carry-forwards will not be realized and are no longer reflected in the above table of temporary differences.

The following table reconciles the expected income tax expense (recovery) at the estimated effective tax rate to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2023 and 2022.

	December 31 2023 $	December 31 2022 $
Loss before income taxes	**(2,071,310)**	(4,578,024)
Statutory tax rate	**25.00%**	25.00%
Expected income tax expense (recovery)	**(517,828)**	(1,144,506)
Increase (decrease) related to:		
Non-deductible items	**767**	28,866
Other	**-**	36,977
Deferred income tax assets not recognized	**517,061**	1,115,640
Total income tax expense	**-**	36,977

Note 21 – Operating Expenses

	December 31 2023 $	December 31 2022 $
General and Administrative	**1,926,589**	1,692,271
Personnel	**1,203,096**	714,593
Professional service fees	**429,661**	615,113
Other operating expenses	**293,832**	362,565
Sales and Marketing	**662,074**	639,687
Advertising, promotions and selling costs	**464,125**	563,173
Personnel	**197,949**	76,514

(Expressed in Canadian Dollars, unless otherwise noted)

Note 22 – Interest and Other

	December 31 2023 $	December 31 2022 $
Interest revenue	**-**	(83,968)
Interest expense	**154,320**	52,894
Other	**(13,834)**	(22,337)
Total interest and other	**140,486**	**(53,411)**

Note 23 – 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:

	December 31 2023 $	December 31 2022 $
Current portion of loans payable	**140,000**	474,864
Loans payable	**933,645**	457,033
Funded debt	**1,073,645**	931,897
Shareholders' equity	**4,241,241**	6,277,082
Total capital	**5,314,886**	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.

(Expressed in Canadian Dollars, unless otherwise noted)

Note 24 – Financial Instruments

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

Fair value

The carrying values of cash, trade and other receivables, accounts payable and accrued liabilities, and acquisition consideration payable 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.

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

		Fair Value Measurements		
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
December 31, 2023				
Investments	-	-	-	-
Loan receivable	453,357	-	-	453,357
Loans payable	1,073,645	-	1,073,645	-
December 31, 2022				
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 December 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.

Note 24 – Financial Instruments, continued

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 EPS are measured at fair value, but as the investments are privately held and there is no quoted market price for its common shares, fair value was estimated using Level 3 inputs.

The fair value of the loan receivable from EPS was measured utilizing several assumptions related to the uncertainty of collection and the time it will take to eventually collect the loan receivable from either EPS or its guarantors. The loan receivable, net of collection costs, was discounted to its fair value utilizing an estimated discount rate of 18.0% per annum.

The fair value of the investment in EPS was estimated to be nil due to the Company currently being in default of its debt obligations to the Company and the significant uncertainty that any value will be realized from this investment in the future.

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.

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’s exposure to credit risk from its cash is very limited as it holds its cash with highly rated financial institutions.

The Company has moderate exposure to credit risk related to its trade and other receivables. The risk exposure is limited to its carrying amount at the balance sheet date. The Company provides credit to its business customers in the normal course and has established credit evaluation and monitoring processes to mitigate this credit risk. The Company’s exposure to credit risk related to direct-to-consumer sales is limited as the majority of these sales are transacted with credit cards at the time the sale is completed.

At December 31, 2023, two customers balances made up 74% of total trade receivables. These balances were collected subsequent to year-end.

The Company is exposed to significant credit risk associated with its loan receivable from EPS. As discussed above, EPS is in default of the loan receivable and the loan is now past due. In the first quarter of 2024, the Company commenced legal action against EPS and the guarantors. The Company expects that it will eventually be successful in collecting on the loan receivable from either EPS or its guarantors. However, due to the litigation process, it is uncertain when the loan receivable will be collected.

Note 24 – Financial Instruments, continued

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 December 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	2,197,075	-	**2,197,075**
Loans payable	140,000	938,000	**1,078,000**

Foreign Currency Risk

The Company is exposed to foreign currency risk in relation to its loan receivable and a portion of its cash, which are denominated in USD. Based on the balances of cash and loan receivables denominated in USD at December 31, 2023, a 5% increase or decrease in the exchange rate would result in a foreign currency gain or loss of $24,894. As at December 31, 2023, the Company held cash denominated in USD of USD $33,601.

Note 25 – Subsequent events

Share consolidation

On February 23, 2024, the Company consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share. As a result, the number of shares outstanding have been adjusted and restated for all periods presented to reflect the effect of the share consolidation.

The Company's outstanding warrants, options, and other convertible securities have also been adjusted on the same basis with respect to the underlying common shares exercisable pursuant to the warrants, options, and other convertible securities, with proportionate adjustments being made to applicable exercise or conversion prices, as applicable.