

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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Herbal Dispatch Inc.

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(expressed in Canadian dollars)

(-)			
	September 30 2023	December 31 2022	
Assets			
Current assets:			
Cash and cash equivalents	\$ 263,538	\$ 1,203,594	
Trade and other receivables	277,898	456,287	
Prepaid expenses and deposits	128,339	65,934	
Inventory	1,081,650	388,283	
Total current assets	1,751,425	2,114,098	
Long-term assets			
Property, plant & equipment	64,076	73,890	
Intangible assets	3,166,190	3,342,463	
Right of use asset (Note 3)	547,034	-	
Investments	199,012	199,012	
Loan receivable	464,955	464,237	
Goodwill	1,748,458	1,748,458	
Total assets	\$ 7,941,150	\$ 7,942,158	
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,623,663	\$ 551,785	
Acquisition consideration payable	-	141,870	
Deferred revenue	78,537	-	
Income taxes payable	39,585	39,524	
Current portion of right of use lease (Note 3)	103,394	<u>-</u>	
Loans payable (Note 4)	466,672	474,864	
Total current liabilities	2,311,851	1,208,043	
Long-term liabilities			
Right of use lease (Note 3)	466,135	-	
Loans payable (Note 4)	471,666	457,033	
Total liabilities	3,249,652	1,665,076	
Shareholders' equity			
Share capital (Note 5)	76,760,128	76,744,245	
Contributed surplus	3,635,443	3,614,977	
Accumulated other comprehensive loss	(820,891)	(819,430)	
Deficit	(74,883,182)	(73,262,710)	
Total shareholders' equity	4,691,498	6,277,082	
Total liabilities and shareholders' equity	\$ 7,941,150	\$ 7,942,158	

Herbal Dispatch Inc. Condensed Interim Consolidated Statements of Operations

(expressed in Canadian dollars)

	For the three months ended		For the nine months ended			ns ended		
	Se	ptember 30 2023	Sep	otember 30 2022	Se	eptember 30 2023	Se	eptember 30 2022
Revenue:								
Sales	\$	1,483,815	\$	100,651	\$	3,251,856	\$	129,822
Excise duties		(309,396)				(623,180)		-
Net revenue:		1,174,419		100,651		2,628,676		129,822
Cost of sales		924,779		73,020		2,081,131		119,358
Gross profit		249,640		27,631		547,545		10,464
Expenses:								
General and administration (Note 10)		485,521		588,984		1,422,810		1,210,813
Selling and marketing (Note 10)		166,175		293,571		449,169		439,919
Share based compensation (Note 7)		-		828		-		(3,241)
Depreciation & amortization		100,465		48,524		290,060		144,369
		752,161		931,907		2,162,039		1,791,860
Loss from operations		(502,521)		(904,276)		(1,614,494)		(1,781,396)
Other expenses (income)								
Interest and other		34,091		(21,306)		82,910	\$	(61,340)
Loss on investments		-		(606)		-	Ψ	6,766
Gain on settlement of debt		_		-		(103,543)		-
Impairment of assets		-		-		-		1,084,560
Gain on foreign exchange		(13,559)		(107,721)		(295)		(146,363)
Accretion expense		9,987		3,352		26,906 [°]		7,115
		30,519		(126,281)		5,978		890,738
Loss before income taxes		(533,040)		(777,995)		(1,620,472)		(2,672,134)
Income tax expense		-		<u> </u>		<u>-</u>		36,977
Net loss		(533,040)		(777,995)		(1,620,472)		(2,709,111)
Other comprehensive loss								
Currency translation adjustment		1,210		(606)		(1,461)		9,522
Comprehensive loss	\$	(531,830)	\$	(778,601)	\$	(1,621,933)	\$	(2,699,589)
Basic and diluted loss per share	\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.01)
Weighted average number of								
common shares outstanding		686,279,091	5	20,895,248		648,935,417		461,720,242

Herbal Dispatch Inc.Consolidated Statements of Shareholders' **Equity** (unaudited)

(expressed in Canadian Dollars)

	Common	Shares	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Shareholder's Equity
	Number	\$	\$	\$	\$	\$
Balance, December 31, 2021	431,539,032	72,709,115	3,244,154	(822,143)	(68,647,709)	6,483,417
Shares issued	983,500	14,752	-	-	-	14,752
Shares issued - acquisitions	301,025,193	4,020,378	374,064	-	-	4,394,442
Share based compensation	-	-	(3,241)	-	-	(3,241)
Currency translation adjustment	-	-	-	2,713	-	2,713
Net loss for the period	-	-	-	-	(4,615,001)	(4,615,001)
Balance, December 31, 2022	733,547,725	76,744,245	3,614,977	(819,430)	(73,262,710)	6,277,082
Shares issued - acquisitions	2,731,366	15,883	-	-	-	15,883
Issuance of convertible debenture	-	-	20,466	-	-	20,466
Currency translation adjustment	-	-	-	(1,461)	-	(1,461)
Net loss for the period	-	-	-	· -	(1,620,472)	(1,620,472)
Balance, September 30, 2023	736,279,091	76,760,128	3,635,443	(820,891)	(74,883,182)	4,691,498

Herbal Dispatch Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(expressed in Canadian Dollars)

	For the nine r September 30 2023	months ended September 30 2022
Cash provided by (used for):		
Operating activities:		
Net loss for the period	\$ (1,620,472)	\$ (2,709,111)
Items not affecting cash:		
Share based compensation	-	(3,241)
Depreciation & amortization	290,060	144,369
Gain on settlement of debt	(103,543)	-
Loss on investments	-	6,766
Impairment of assets	-	1,084,560
Gain on foreign exchange	(295)	(56,551)
Accretion expense	26,906	7,115
Changes in non-cash working capital balances:		
Trade and other receivables	178,501	93,443
Prepaid expenses and deposits	(62,405)	(22,713)
Inventory	(693,367)	(147,613)
Accounts payable and accrued liabilities	1,070,156	80,019
Deferred revenue	78,537	-
Income tax payable	<u> </u>	37,503
Cash used in operating activities	(835,922)	(1,485,454)
Investing activities:		
Purchase of intangible assets	-	(12,535)
Purchase of property, plant and equipment	(6,337)	(23,921)
Proceeds sale of assets	· · · · ·	76,779
Cash assumed from acquisition	-	6,487
Cash used in investing activities	(6,337)	46,810
Financing activities:		
Repayment of acquisition consideration payable	(35,920)	_
Repayment of right of use lease liability	(61,664)	(115,143)
Cash (used in) provided by financing activities	(97,584)	(115,143)
Cash (used in) provided by infancing activities	(97,364)	(113,143)
Decrease in cash and cash equivalents	(939,843)	(1,553,787)
Effect of exchange rate changes on cash	(213)	(3,600)
Cash and cash equivalents, beginning of period	1,203,594	3,880,602
Cash and cash equivalents, end of period	\$ 263,538	\$ 2,323,215

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 1 - Nature of Operations and Going Concern

Herbal Dispatch Inc. (formerly Luff Enterprises Ltd.) ("Herbal Dispatch" or the "Company") owns and operates leading cannabis e-commerce platforms and is dedicated to providing top quality cannabis to

informed consumers at affordable pricing. The Company's flagship cannabis marketplace, Herbal Dispatch, is a trusted source for exclusive access to small-batch craft cannabis flower and a wide-array of other product formats.

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

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In the nine months ended September 30, 2023, the Company incurred a net loss of \$1,620,472 (\$2,709,111 in the nine months ended September 30, 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 - Basis of Preparation

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS, as issued by the IASB.

The unaudited interim consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2023.

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

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

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 3 - 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 September 30, 2023 incurs interest at an annual rate of 8.7% per annum and is repayable in current monthly blended principal and interest payments of \$12,091, and maturing in January 2028. The lease liability corresponds with a right of use asset with a net book value of \$547,034 at September 30, 2023 (December 31, 2022 - \$nil).

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

	September	December 31
	2023	2022
	\$	\$
Within one year	148,941	-
Thereafter	540,332	-
Total minimum lease payments	689,273	-
Less: amount representing interest	119,744	-
Present value of minimum lease payments	569,529	-
Less: current portion	103,394	-
	466,135	-

Note 4 - Loans Payable

	September 2023	December 31 2022
	\$	\$
Debenture A	426,672	434,864
Debentures B	471,666	457,033
CEBA loan	40,000	40,000
	938,338	931,897
Less: current portion	(466,672)	(474,864)
	471,666	457,033

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 4 - 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 15, 2023 but was subsequently amended with the maturity date extended to May 31, 2024. The Debenture A has a coupon rate of 10% per annum, payable monthly, and, subject to the approval of the Exchange, is convertible into common shares of the Company at a price of \$0.01 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 \$0.05 or greater.

The amended Debenture A was discounted to its net present value using a coupon rate of 10% and a yield rate of 15%. The original 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 the National Green Biomed group of companies ("NG Biomed"). The Debentures B have an annual coupon rate of 10% per annum, payable monthly, and mature on December 31, 2024. The Debentures B are also convertible, at the holder's option, into common shares of the Company at \$0.025 per share, and at the Company's election, during any period where the trading price of the Company's common shares is \$0.05 or greater for a period of 20 consecutive trading days. The Debentures B were discounted to their net present value using a coupon rate of 10% and a yield rate of 15%. The original debt discount balance of 48,964 is being amortized over the term of the debentures using the effective interest rate.

CEBA loan

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

Additional Loans payable

Subsequent to September 30, 2023, the Company was advanced a short-term loan payable in the principal amount of \$100,000 from a director of the Company. 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.

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 5 - Share Capital

Authorized – Unlimited common shares with no par value	Number of shares	Amount \$
Issued and outstanding at December 31, 2022	733,547,725	76,744,245
Activity during the nine months ended September 30, 2023:		
Shares issues – acquisition of Golden Spruce	2,250,000	13,476
Shares issued – right of recission	481,366	2,407
Issued and outstanding at September 30, 2023	736,279,091	76,760,128

In April 2023, the Company completed the acquisition of certain assets related to the Golden Spruce cannabis brand. The Company issued 2,250,000 common shares in consideration for the acquisition. An additional 750,000 common shares are contingently issuable should certain future revenue targets be achieved from the sale of Golden Spruce branded cannabis products.

In conjunction with the acquisition of NG Biomed in August 2022, the Company agreed to pay cash consideration of up to \$224,370 to certain shareholders of NG Biomed that had a right of recission related to their investment in NG Biomed. This recission right expired on March 31, 2023. On May 2, 2023, the Company issued 481,366 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.

Included in the issued and outstanding common shares at September 30, 2023 were 50,000,000 common shares remaining in escrow that were issued in conjunction with an acquisition in 2022. These shares will be distributed following the achievement of a revenue related milestone during the four-year period ending August 31, 2026, as follows:

• 50,000,000 common shares of Herbal Dispatch upon gross sales in Canada reaching \$1,500,000 in a three-month consecutive period.

During the nine months ended September 30, 2023, 70,000,000 common shares were released from escrow as the related sales milestone objectives were met.

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 6 - Share Purchase Warrants

	Amount	Weighted Average Exercise Price per Share \$
Balance as at December 31, 2022	33,828,001	0.068
Warrants issued	-	-
Balance as at September 30, 2023	33,828,001	0.068

The following table summarizes the warrants that were outstanding as at September 30, 2023:

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

Note 7 - Share-Based Compensation

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

Stock options

The Company recorded the following activity related to stock options during the nine months ended September 30, 2023:

	Amount	Exercise Price per Share \$
Balance, December 31, 2022	400,000	0.02
Stock options activity	-	-
Balance, September 30, 2023	400,000	0.02

The outstanding 400,000 stock options expire on July 28, 2025. Of this amount, 400,000 stock options were vested and exercisable at September 30, 2023.

There were no restricted shares outstanding at September 30, 2023 or December 31, 2022.

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 8 – Segmented Information

The Company generates revenue in one reportable segment: cannabis and cannabis related products, and its activities were conducted in two geographic locations: Canada and the United States. All activities in both geographical locations are related to cannabis and cannabis related products and all material assets and liabilities are related to cannabis and cannabis related products.

Disaggregated revenue information by service is provided as follows:

	Three months ended		Nine month	is ended				
	September	September	September	September	September	September	September	September
	2023	2022	2023	2022				
	\$	\$	\$	\$				
Net revenue								
Canada								
Direct to consumer medical sales	334,353	25,154	835,823	25,154				
Recreational cannabis sales	692,300	-	1,243,645	-				
Export sales	-	-	364,700	-				
Other revenue	147,766	-	184,508	-				
	1,174,419	25,154	2,628,676	25,154				
United States	-	75,497	-	104,668				
Total net revenue	1,174,419	100,651	2,628,676	129,822				

The Company did not generate any revenue in the United States during the three and nine months ended September 30, 2023 and has discontinued sales in that jurisdiction. As at September 30, 2023 and December 31, 2022, all of the Company's property, plant and equipment, intangible assets and goodwill were located in Canada.

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 9 – Related Party Transactions

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

	Three months ended		Nine months ended	
	September 2023	September 2022	September 2023	September 2022
	\$	\$	\$	\$
Salaries, benefits and management fees	73,172	80,929	236,753	214,765
Directors' fees	30,000	27,184	90,000	75,184
Total compensation to key management	103,172	108,113	326,753	289,949

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

During the three and nine months ended September 30, 2023, the Company incurred interest expense of \$10,950 and \$26,276 (three and nine months ended September 30, 2022 - \$6,568 and \$19,704), respectively, related to a convertible debenture owing to a director and shareholder of the Company.

Note 10 - Operating Expenses

	Three months ended		Nine months ended	
	September	September	September	September
	2023	2022	2023	2022
	\$	\$	\$	\$
General and Administrative	485,521	588,983	1,422,810	1,210,812
Personnel	345,206	187,223	891,613	490,946
Professional service fees	78,928	213,718	345,360	438,924
Other operating expenses	61,387	188,042	185,837	280,942
Sales and Marketing	166,175	293,571	449,169	439,919
Advertising, promotions and selling costs	118,592	261,961	316,586	408,309
Personnel	47,583	31,610	132,583	31,610

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 11 – Capital Management

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

	September	December 31	
	2023	2022	
	\$	\$	
Current portion of loans payable	466,672	474,864	
Loans payable	471,666	457,033	
Funded debt	938,338	931,897	
Shareholders' equity	4,691,498	6,277,082	
Total capital	5,629,836	7,208,979	

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

Note 12 - Financial Instruments

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

Fair value

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

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

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 12 - Financial Instruments, continued

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

		Measuremen	surements	
	Carrying Amount	Level 1	Level 2	Level 3
	\$	\$	\$	\$
September 30, 2023				
Investments	199,012	-	-	199,012
Loan receivable	464,955	-	-	464,955
Loans payable	938,338	-	938,338	-
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 September 30, 2023 and December 31, 2022, the Company measured its loans payable at Level 2 fair value as there is no active market for these items.

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

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

There were no transfers between levels 1, 2 and 3 inputs during the three and nine months ended September 30, 2023.

Risk Management

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

Notes to the Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2023 (Expressed in Canadian Dollars)

Note 12 - Financial Instruments, continued

Credit Risk

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

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

The Company is exposed to significant credit risk associated with its loan receivable from EPS. At September 30, 2023, EPS was in default of the loan receivable and the loan is now past due. The Company continues to work with EPS to obtain a mutually satisfactory settlement of the outstanding balance.

Interest Rate Risk

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

Liquidity Risk

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

At September 30, 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	1,623,664	-	1,623,664
Loans payable	478,000	500,000	978,000
Right of use lease	148,941	540,332	689,273

Foreign Currency Risk

The Company is exposed to foreign currency risk in relation to its loan receivable and a portion of its cash and cash equivalents, which are denominated in USD. Based on the balances of cash and loan receivables denominated in USD at September 30, 2023, a 5% increase or decrease in the exchange rate would result in a foreign currency gain or loss of \$25,364. As at September 30, 2023, the Company held cash and cash equivalents denominated in USD of USD \$31,140.